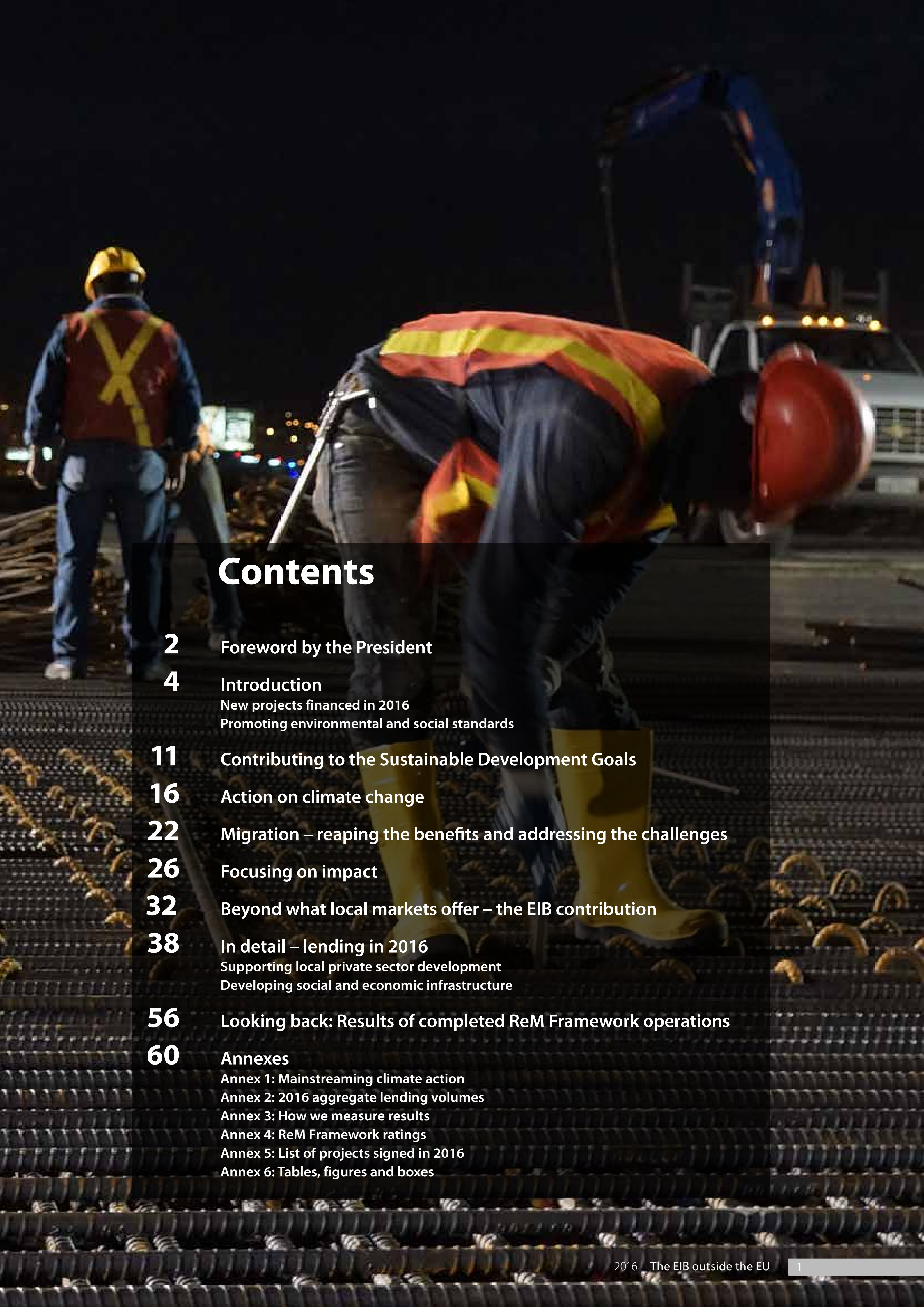
2016
The EIB outside the EU

Delivering on EU policies
Reporting on results



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Foreword by the PRESIDENT

In times of uncertainty, there can be a great tendency to look inward, to focus only on what's happening "in our own back yard". But we also live in a time of global challenges and global responsibilities. In a context in which international solidarity and cooperation seems to be under growing threat, it is more important than ever for Europe to continue to play its role as a global leader in support of sustainable economic development and growth.

Climate change is one such global challenge. In Europe we have a responsibility not just to reduce our own footprint, but also to help countries with fewer financial resources and technical know-how to follow a more sustainable development path that is also more resilient to the effects of climate change that we are already seeing.

Migration is another challenge that calls for urgent large-scale action, not just within Europe but also in our immediate neighbourhood and in other regions from where so many people are driven to seek refuge or the chance for a better life. Both within the EU and elsewhere, we have a responsibility to help refugees and other migrants, and also the societies that host them and that they transit through, which are also often put under considerable strain. We have to address the root causes of migration and the intolerance that migrants face by building up economic resilience and the ability of societies to offer real economic opportunities and a dignified life to all.

In the face of such challenges, I am very proud that the work of the EIB, as the EU bank, does not just stop at the borders of the EU. We are also the leading partner of the EU Member States – our shareholders – and the European institutions, in using our financial firepower and technical expertise as the world's largest multilateral lender to support our common efforts to implement EU external policy. Our lending outside the EU comprises about 10% of our total commitments; that's some EUR 8bn approved for new projects signed outside the EU in 2016.

This lending is expected to bring some very impressive results. The projects supported will lead to improved access to safe water or better sanitation services for some 6.7 million people. 1.2 million households will get new or upgraded electricity connections, while the equivalent of 250 000 households will be supplied with electricity from renewable sources, mitigating climate change.

Investments in better and more sustainable transport systems within and between cities play a major role in our activities, with 1.2 million passengers set to benefit directly from improved public transport services, with many more benefiting from the greater sustainability of these transport modes. We estimate that new transport investments outside the EU in 2016 will save some 51 million hours of journey times in total, bringing benefits both in terms of economic efficiency and personal well-being in some of the world's busiest cities like Cairo in Egypt and Lucknow in India.

Our support for infrastructure development helps to create the conditions for sustainable and inclusive economic growth. So does our support for local private sector development, for which we use instruments such as credit lines to local banks or microfinance institutions or equity for social impact funds to help ensure that cash-strapped businesses are able to get the long-term financing they need to sustain and create jobs. We expect almost 700 000 jobs to be sustained in this way through credit lines alone.

In carrying out this lending, we are building on our long track record, but we are also developing the approach we take to respond to the evolving EU and global policy agendas. The Sustainable Development Goals (SDGs) provide a globally agreed framework for assessing our progress in addressing the challenges that we face together as a planet. For the first time this report discusses how our activities, and the results that we expect to achieve, link up to these SDGs. Alongside a focus on climate action, as in previous years, the report also looks at the growing role of impact financing in what we do.

Last, but not least, this year's report has a special focus on how our activities respond to the issue of migration. As the EU's bank and the largest IFI lender for projects in the pre-accession and MENA regions, the EIB is committed to assisting EU Member States in addressing this challenge in host countries, transit countries and countries of origin. With more than three decades of experience in the region, we are best placed to deliver this financing. Following a call from the European Council, we are developing the Economic Resilience Initiative to increase financing to the EU's neighbouring countries, boost economic resilience and support the achievement of the SDGs as part of the joined up EU response to the challenges posed by forced displacement and migration.

At the EIB, we know that what we do outside the EU as part of Europe's global outreach is just as important as what we do inside Europe, helping to tackle some of the great challenges of our age, challenges that we can only overcome by working together.

Werner Hoyer

Introduction

As the bank of the European Union, the EIB also has a special role to play outside the Union, supporting the common efforts of EU Member States to advance EU external policy objectives. Among EU institutions we have a unique ability to mobilise financial resources for economically sound projects around the world, whilst our technical expertise helps to ensure that these resources achieve high environmental, social and economic returns. EIB loans can be blended with grants from the European Commission and Member States to provide the right financing mix for projects that could not otherwise go ahead. At the same time, our advisory role ensures that projects are well designed and successfully implemented – often becoming demonstration projects that can catalyse even greater investments.

At a time of geopolitical flux, achieving EU policies and contributing to the 2030 Development Agenda will require the concerted efforts of the public and private sectors and civil society. It will require unprecedented public and private investments in basic infrastructure and the provision of essential services, thereby promoting the growth of a vibrant private sector to provide economic opportunities through decent employment and enhanced incomes.

These goals are reflected in the mandate objectives of the EIB under the External Lending Mandate (ELM) and the Cotonou Agreement for the ACP region (Box 1). There are two main objectives: supporting local private sector development and the development of social and economic infrastructure. These are complemented by the cross-cutting objectives of climate change mitigation and adaptation and regional integration.

This Annual Report presents EIB activity outside the EU in 2016 and the results this is expected to achieve. These are results we track using the Bank's Results Measurement Framework (Annex 3). As projects that were approved under this framework (introduced in 2012) gradually reach completion, we are also increasingly looking back at the final results achieved.

New projects financed in 2016

In 2016, the EIB signed financing contracts for 87 new projects outside the EU, with total approved financing of EUR 8.04bn. This is expected to enable total investments of EUR 19bn.

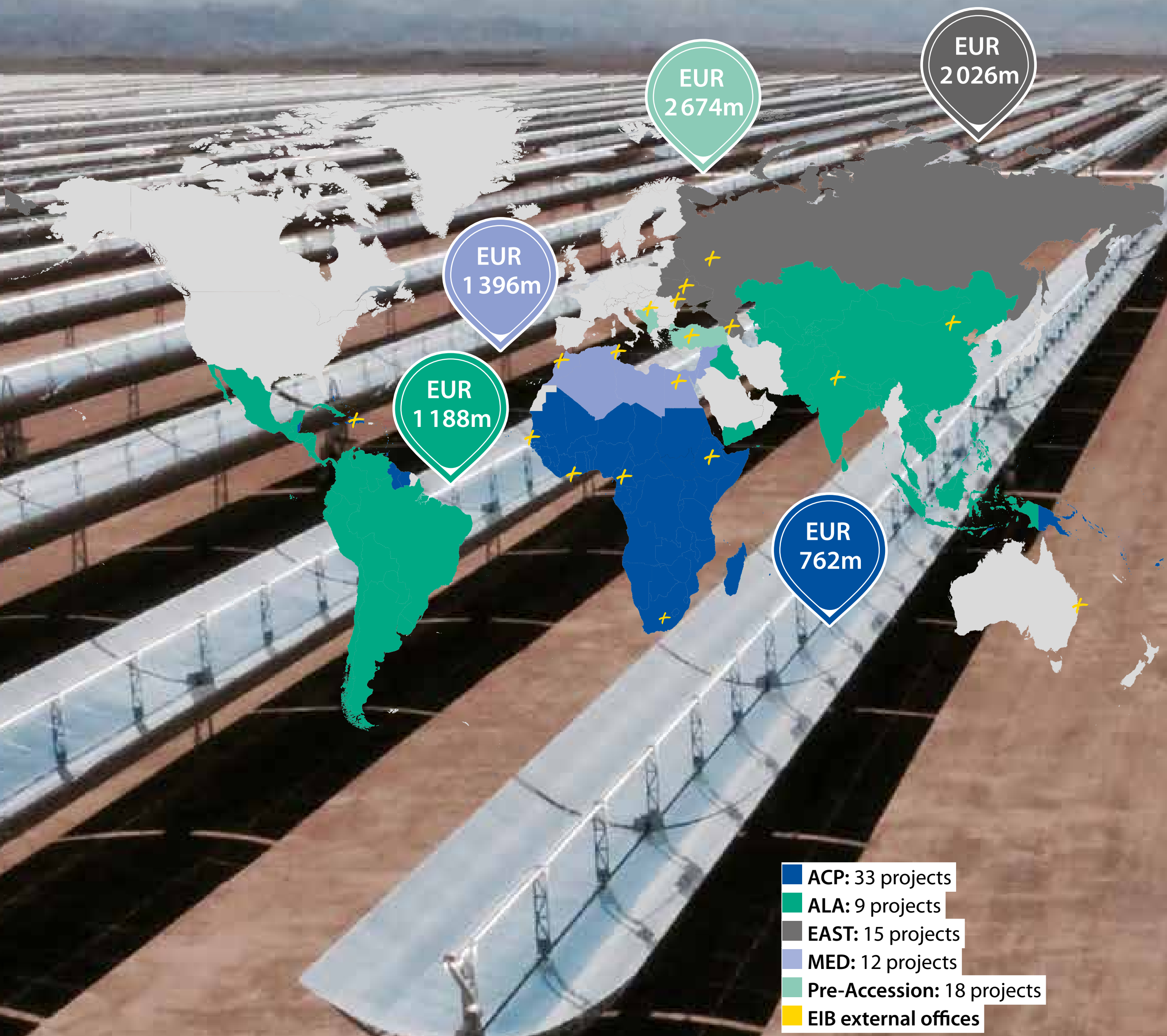
The largest number of new projects was in the Africa, Caribbean and Pacific (ACP) region where projects tend to be relatively small in financial terms, although with a strong impact (Figure 1). Compared to last year approved lending for new projects actually declined slightly in the ACP region but increased in the Southern Mediterranean and Eastern Neighbourhood.

All EIB projects outside the EU support the mandate objectives of local private sector development or the development of social and economic infrastructure, or both. Many projects also support two cross-cutting objectives: climate change mitigation and adaptation, and regional integration (Figure 2). In 2016, social and economic infrastructure development and local private sector development received close to EUR 4bn each in approved new project lending.

Nearly EUR 2bn in approved lending for new projects will support the cross-cutting objective of climate change mitigation and adaptation. The great majority of this lending is for infrastructure projects, particularly sustainable transport. The small contributions of a large number of credit lines to SMEs are also taken into account, resulting in a large number of individual projects supporting this objective. EUR 1.6bn has been allocated to projects promoting regional integration. Full details of approved and signed lending volumes are given in Annex 2.

Figure 1

New projects by region



This report does not cover lending to EFTA countries

Figure 2

Lending outside the EU for new projects by EU policy objectives

8.04bn EUR

4.06bn → 51 projects → Local **private sector** development → Enhancing **access to finance**, particularly for SMEs and microenterprises

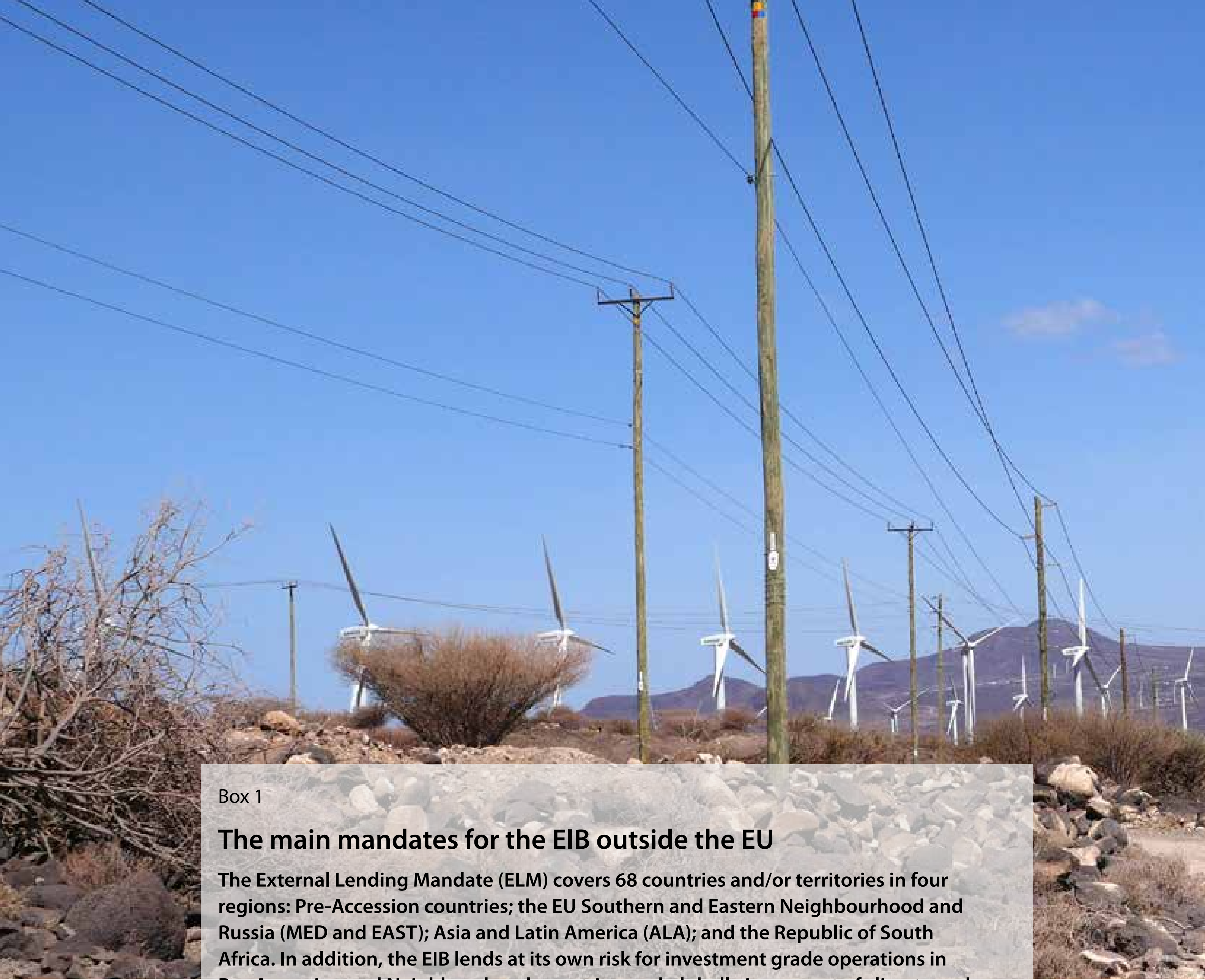
3.98bn → 41 projects → Social and economic **infrastructure** → Responding to **strategic infrastructure** needs in sectors such as energy, transport, water, telecommunications, education and health

Cross-cutting objectives:

1.92bn → 59 projects → **Climate change** mitigation and adaptation → **Climate action** on renewable energy, energy efficiency, low-carbon transport, sustainable use of natural resources and climate resilience

1.62bn → 17 projects → **Regional integration** → **Improving links** amongst partner countries and with the EU

Many projects support more than one objective. "New projects" are those for which the first financing contract was signed in 2016. For each of these projects, the full approved financing volume is reported (see Annex 2).



Box 1

The main mandates for the EIB outside the EU

The External Lending Mandate (ELM) covers 68 countries and/or territories in four regions: Pre-Accession countries; the EU Southern and Eastern Neighbourhood and Russia (MED and EAST); Asia and Latin America (ALA); and the Republic of South Africa. In addition, the EIB lends at its own risk for investment grade operations in Pre-Accession and Neighbourhood countries, and globally in support of climate and strategic investments. In terms of approved lending for new projects, the Bank increased its lending in the ELM regions by 10% over 2015 to EUR 7.3bn (53% under the ELM guarantee), with significantly increased signatures in the Western Balkans and the Southern Neighbourhood in the context of the new Economic Resilience Initiative (ERI), and delivered on the EUR 3bn Ukraine action plan. The ELM is currently under mid-term review. Its overall ceiling of EUR 27bn for guaranteed loans over the period 2014-2020 will be increased in order to implement the ERI. The ELM minimum climate action target is 25% for EIB financing operations signed under the ELM on a cumulative basis between 2014 and 2020. By the end of 2016, the cumulative climate action ratio for projects benefiting from the ELM guarantee reached 34%.

The Cotonou Partnership Agreement covers operations in the 78 African, Caribbean and Pacific (ACP) states. The overarching objective of the Cotonou Agreement is to reduce and eventually eradicate poverty, in line with the objectives of sustainable development and the gradual integration of the ACP countries into the global economy. Approved lending for 33 new projects in the ACP region was EUR 762m.

Promoting environmental and social standards

Within the framework of EU policy objectives, the EIB seeks to ensure and enhance the environmental and social sustainability of all projects financed. All projects must comply with EIB environmental and social policies and principles, reflecting the evolving consensus of the EU and other international institutions. These standards are developed and overseen by the Bank's Environment, Climate and Social Office, and cover:

- **Human rights** – the EIB is bound by the Charter of Fundamental Rights of the EU, including the commitment to upholding human rights; this is achieved by excluding specific types of projects or activities, and by a comprehensive due diligence process.
- **Gender** – the Bank is mainstreaming gender equality and women's empowerment in its lending portfolio, both through standards-based due diligence and in terms of the impact of its lending.
- **Conflict sensitivity** – the EIB approach focuses on flagging and mitigating conflict-related risks to avoid aggravating conflicts and, whenever possible, contribute indirectly to conflict prevention, recovery and peace-building though its operations.
- **Biodiversity** – the EIB is committed to tracking and reporting its biodiversity-related lending and is working with other development banks on a common methodology.
- **Climate change** – EIB climate standards require the Bank's financing as a whole to be aligned with EU climate policy. This is done not only by promoting climate change mitigation and adaptation projects, but also, for example, by mainstreaming climate risk considerations and assessing the Bank's carbon footprint across the portfolio (see Annex 1).

Box 2

Blending loans and grants

Projects financed by the EIB also often benefit from third-party donor financing in the form of grants. Such funds are channelled to the projects through trust funds, mostly managed by the EIB. Grants from the Eastern Partnership Technical Assistance Trust Fund (EPTATF), FEMIP Trust Fund, Neighbourhood Investment Facility Trust Fund (NIF TF), Western Balkans Investment Facility and EU-Africa Infrastructure Trust Fund enable the Bank to deliver maximum impact as well as to increase the viability and sustainability of EIB loans through the provision of technical assistance and advisory services, investment grants (including interest rate subsidies) and diverse financial instruments. Moreover, EIB activity through the use of blending instruments (such as the investment facilities for Africa, Asia, the Caribbean, Central Asia, the Pacific and Latin America) reinforces the complementary relationship between the Bank and the European Commission, as well as other international financial institutions, and further contributes to the development impact of investment projects.

Contributing to the Sustainable Development Goals

> The 2030 Agenda represents a commitment to end poverty, save the planet, and ensure prosperity for all, worldwide, by 2030.

The 17 Sustainable Development Goals (SDGs) are at the core of the 2030 Agenda. Underlying these 17 goals are qualitative and quantitative targets for the next 15 years, designed to prepare us for the future and work towards human dignity, stability, a healthy planet, fair and resilient societies and prosperous economies. The SDGs call for a new global partnership between the public sector, the private sector and civil society to mobilise enhanced efforts and resources to make this vision a reality.

The EU was instrumental in shaping the global 2030 Agenda, which is fully consistent with Europe's vision. The Union is fully committed to being a frontrunner in implementing the 2030 Agenda and achieving the SDGs, both inside the EU and beyond its borders, through its external policies. As the EU bank, the EIB plays an integral role in these efforts.

Speaking at the General Assembly's Interactive Dialogue session on "Delivering on Revitalized Global Partnership", EIB President Werner Hoyer confirmed the EIB's full commitment to achieving the SDGs, and stressed the importance of working together in partnership to catalyse more investment finance: "We at the EIB know that we now need to do more of what we do best: use our own financing to attract the financial resources and risk-sharing capacity of other partners… IFIs are a critical piece of the jigsaw. Another crucial piece is efforts by governments and regulators to strengthen the enabling environment to support sustainable investment, mitigate risk and help build organisational capacity as necessary."

The information on project results tracked by the EIB can help us to understand how EIB financing and technical support contribute to the achievement of the SDG targets set by countries, sometimes in a fairly direct way and sometimes via more indirect development impacts.

All EIB projects outside the EU support either local private sector development or the development of social and economic infrastructure. In doing so they help to raise living standards and reduce poverty in the target countries. While financial sector operations tend to focus more on helping private enterprises to sustain and create jobs through enhancing access to finance, infrastructure projects target the sustainable and efficient provision of affordable basic services, contributing to improvements in quality of life for the beneficiaries. In this way, both types of project contribute to economic development and achieving **SDG 1 No poverty**. By providing access to basic services and financial services, including microfinance, many EIB projects contribute directly to the SDG 1 targets (see Box 4). For some of our projects we are also introducing enhanced monitoring of the profile of the direct beneficiaries, including the proportion that is from the poorest segment of the local population (see Box 5).

Box 3

Transport-led sustainable development in Lucknow, India

Urban public transport is a key driver of environmentally sustainable social and economic development. But when populations in cities grow too quickly, it can present a barrier to mobility and significantly impact people’s quality of life by restricting access to public services as well as reducing safety due to overcrowding of the existing transport infrastructure.

In 2016, the EIB signed a new EUR 200m loan in India to finance the first metro line in Lucknow, a city of more than 3 million people and capital of India’s most populous state, Uttar Pradesh. The project is the first phase of a two-phase plan to construct a 34 km-long metro line and the first step towards increasing the modal share of public transport within the city from its current level of 10% to 27% by 2030. The current project will build the first 23 km line running from the airport in the south of the city, through dense residential areas, the city centre and to the north, serving 22 stations along the route and transporting up to 13 500 passengers per hour per direction, or around 300 000 a day. The project will form the backbone of the city’s mobility network by providing public transport that is reliable, safe, fast and affordable, as well as more sustainable. The metro will also substantially improve the urban environment by facilitating the densification of development and will contribute to climate change mitigation through reductions in greenhouse gas emissions.

Table 1

Expected results of EIB projects outside the EU and the SDGs – potential connections*

Expected results from new projects in 2016

1 NO POVERTY	Cross-cutting poverty reduction impacts
2 ZERO HUNGER	Irrigated rice production, enough to feed **160 000 people**
3 GOOD HEALTH AND WELL-BEING	**150 000 patients** treated annually in new and rehabilitated hospitals
4 QUALITY EDUCATION	**37 100 additional students** enrolled in higher education
6 CLEAN WATER AND SANITATION	**6.7 million people** benefiting from improved water supply and sanitation
7 AFFORDABLE AND CLEAN ENERGY	**1.2 million households** connected to electricity networks
8 DECENT WORK AND ECONOMIC GROWTH	**702 000 jobs** sustained in supported SMEs, microenterprises and midcap companies
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	**51 million journey hours**/year saved through improved transport infrastructure
11 SUSTAINABLE CITIES AND COMMUNITIES	**1.2 million passengers** per day benefiting from improved urban public transport
13 CLIMATE ACTION	Energy production from renewables sufficient for **250 000 households**

* The EIB is undertaking an assessment of how its operations contribute to the achievement of SDGs. The above is meant to illustrate potential connections but does not comprise the Bank's final assessment.

The outputs and outcomes that we track for the projects we support – metrics like patients treated, jobs sustained or new connections to electricity networks – make it easy to see how these projects can be linked to the achievement of many of the SDGs. Some of the more direct connections are illustrated in Table 1. Going forward, the EIB is looking further into how to assess our contribution to different SDGs, in line with other development partners.

Many EIB projects contribute to **SDG 5 Gender equality**, particularly in cases where a specific effort is made to reach out to women and girls. This is the case for many EIB-supported microfinance institutions. In 2016, the EIB developed a new Gender Strategy that sets out how we will further promote gender equality and women's empowerment: by protecting women's rights through our due diligence; by enhancing the positive impacts of our investments on gender equality; and by stepping-up investment in women's empowerment, such as by investing in women entrepreneurs.

Climate change mitigation and adaptation is a cross-cutting objective of EIB activities outside the EU, in line with **SDG 13 Climate action**. We are committed to devoting at least 25% of our lending to climate action, as we did in 2016, and to increasing this to 35% in developing countries by 2020. The contribution of 2016 projects to climate action is described in more detail below.

As one of the world's largest multilateral development banks and the world's largest provider of climate finance, it is clear that the EIB is called upon to play an important role in fostering a revitalised global partnership, as set out in **SDG 17**. We use our ability as a respected triple-A borrower to mobilise financial resources on a large scale, and to pass on the benefits to the projects we support around the world. We blend our financing with grants, including for technical assistance, and provide advice to make sure that valuable projects can go ahead. The EIB stamp of project approval provides both technical and financial risk reassurance to potential partners, thereby helping to unlock additional private financing for sustainable development impacts.

Box 4

Fighting poverty through microfinance

The EIB has provided EUR 5m in risk-absorbing equity financing to the Luxembourg Microfinance Development Fund. This will enable it to finance seven to ten emerging microfinance institutions with a strong social mission in ACP countries, building on its existing investments in Haiti, East Timor, Niger and Mali. This is expected to have a strong impact on poverty, supporting financial inclusion for a further 333 000 micro-borrowers and their families. 65% of the final beneficiary borrowers are expected to be women, and around one third farmers, while some 40% are expected to come from the poorest segments of society. The stable, long-term resources that the EIB is able to provide, as the only IFI involved in the Fund, are particularly important to enable the Fund to provide long-term loans that will make it possible for emerging microfinance institutions to establish themselves, strengthening the provision of financial services in some of the poorest regions of the world.

Box 5

A joined-up approach on food, jobs and basic services in Senegal

As the staple food, rice is vitally important in Senegal, yet the country imports as much as 75% of its annual needs. The Senegal River Valley Rice project is taking a major step towards improving this situation, upgrading irrigation networks to supply water to 5 250 hectares of land, enabling the production of 52 000 tonnes of rice every year – enough to provide basic nourishment for 163 000 people – with production expected to rise to 60 000 tonnes a year as the issue of soil salinity is gradually overcome.

The project, led by the Compagnie Agricole de Saint Louis (CASL), also aims to achieve the vertical integration of production needed to reap the full benefits of these improvements, with further investments in storage and processing and marketing in local markets. Direct production by CASL, with around 300 permanent workers, will be complemented by an outgrower scheme expected to benefit around 150 farming households. In addition to these employment opportunities, around 5 600 people in eight villages will be provided with clean water, improved roads and improved electricity supply.

The EIB has worked in collaboration with the African Development Bank to support and give guidance to this EUR 52m project. From the EIB side, a EUR 16m loan under the Bank's Impact Financing Envelope is providing more than double the loan maturity duration that the company could expect to get on local markets, enabling this long-term investment to go ahead. In order to better assess the social development impact of the project, the EIB also suggested that CASL implement a Progress Out of Poverty Index survey to better assess the situation and needs in the project area. The results suggest that 57% of people in the area live below the national poverty line, with 80% living on less than USD 2.50 a day. Furthermore, 90% of women are illiterate, only 4% of households have piped water and 45% lack basic sanitation. This information will help inform the company as they plan project activities, including the provision of irrigation and drinking water to the communities and will act as a baseline to help assess project impact.

Action on climate change

Accelerating the pace of climate finance around the world is a vital part of EU external and development policy.

Climate action is among the EIB's top priorities and has been high on the EU and international political agenda in recent years, culminating in the 2015 Paris climate change conference (COP21). As the bank of the EU, and as the world's largest multilateral provider of climate finance in volume terms, the EIB has a critical role to play in these efforts. With an impressive track record, we can help not only in mobilising climate finance but also by building on our extensive technical and financial experience with climate finance within and outside the EU. The EIB is committed to increasing the proportion of its lending (in terms of total signatures) in support of climate-related investment in developing countries from 25% to 35% by 2020.

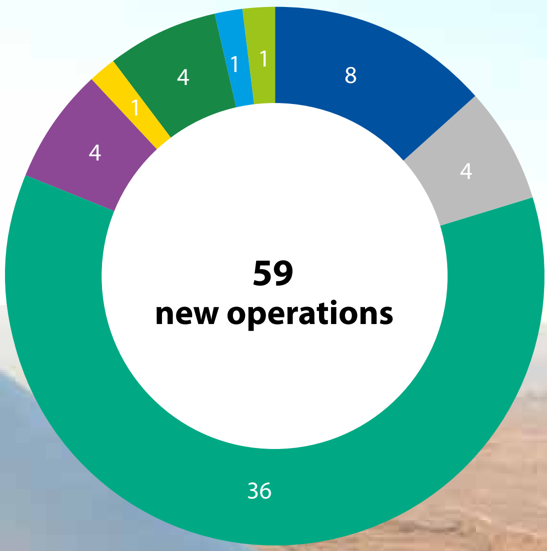
Close to EUR 2bn in approved lending for new projects in 2016 will contribute to the cross-cutting policy objective of climate change mitigation and adaptation. This will be achieved through a total of 59 projects across most sectors. The extent to which a project is expected to contribute to the climate action objective is assessed at appraisal and an appropriate proportion the project's lending total is accordingly reported as contributing to the objective. Analysis of past EIB projects has shown how many projects make a small contribution to action on climate change even if this is not the main objective of the project. For example, EIB-supported investments by SMEs can include elements such as solar panel installations or energy efficiency improvements which can make a significant difference on aggregate. This is why new projects in 2016 include 36 credit lines; based on an analysis of investments made under earlier credit lines, an estimate of 2% of lending contributing to climate action is applied. In fact, financial instruments such as credit lines and equity can be very important for financing many kinds of local, small-scale investments that support climate change mitigation and adaptation.

That said, large projects in the transport and energy sectors continue to make the biggest contribution to climate action. Transport projects accounted for some two thirds of approved lending for new projects in 2016.

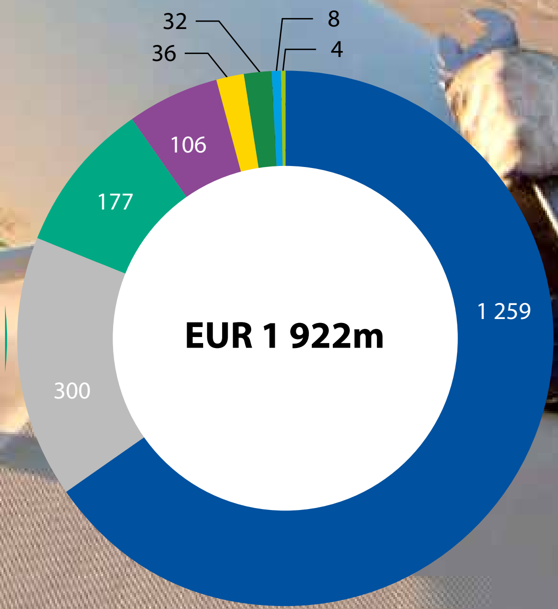
Figure 3

Contribution of new projects outside the EU to climate action by sector

Number of new operations:



Lending volume:



Note: Lending volumes are prorated by degree of contribution to the cross-cutting climate change mitigation and adaptation objective.

Major projects developing **lower carbon transport** alternatives include the first metro line in the city of Lucknow, India (Box 3), a framework loan for multiple public transport projects in Ukraine, a further extension of the metro system in Istanbul, building on early EIB investments in that system, and additional rolling stock (108 carriages) for the metro system in Cairo. EIB lending will also support the upgrading of 323 km of railway lines in Ukraine and Moldova, providing increased capacity and reducing travel times, encouraging a modal shift away from road and enabling 27 million tonnes of cargo to be transported annually.

Projects developing **renewable energy** sources are expected to produce at least 758 GWh annually, enough to supply nearly 250 000 households in the countries concerned. This figure does not include the 53 000 households expected to receive help for purchasing solar power units through the Pamiga Water and Renewable Energy through Microfinance project. The largest energy generation projects are in Turkey.

The Fina Enerji wind power project will install 106 MW of capacity and produce enough electricity to supply 123 000 households. It is estimated to achieve an emissions reduction of 148 kt CO_2-equivalent per year, relative to the expected alternative power generation mix in the country. A credit line with Isbank will target renewable energy and energy efficiency schemes expected to generate enough energy to serve some 105 000 households. A project in the Maldives demonstrates how more sustainable energy sources are a win-win for development (Box 6).

Energy efficiency savings are another vital channel for climate change mitigation. For certain large projects where ex ante estimations of such savings are possible, it is expected that some 169 GWh/year will be saved. Most of this will come from the CDEEE Loss Reduction Project, upgrading electricity transmission in the Dominican Republic, and the Ukraine Higher Education project that will support education institutions through building renovations, cutting energy costs and improving services at the same time (Box 7).

Box 6

Reducing diesel dependence in the Maldives

Power generation represents a challenge for the Maldives, as an archipelago of 26 atolls. The country has relied substantially on old and inefficient diesel generators. As recently as 2012, oil imports made up 35% of GDP. A EUR 45m EIB loan is supporting a project to help change this situation by installing at least 50 MW of solar-diesel hybrid energy systems, with about 25 MW of rooftop and ground mounted solar PV panels and about 27 MW of more efficient diesel generator capacity, as well as the rehabilitation of some 430 km of distribution lines and the installation of lithium-ion batteries and control system equipment. This will allow around 37 MW of obsolete diesel generator capacity to be retired.

The project will supply enough energy to meet the needs of about 110 000 households and will enable some 14 500 new connections to the network. It will save the country an estimated EUR 14m a year in reduced fuel imports and will also have an impact in terms of lower emissions of CO_2 and other pollutants. During operation, the project will result in estimated GHG emissions of 76 kt CO_2-eq/year. However relative to predicted emissions without the project, it is expected to result in a reduction of 34 kt CO_2-eq/year.

NEW PROJECTS IN 2016
expected results

758 GWh/year
new energy supply from re-newables, enough to supply
249 000 households

169 GWh/year energy efficiency savings

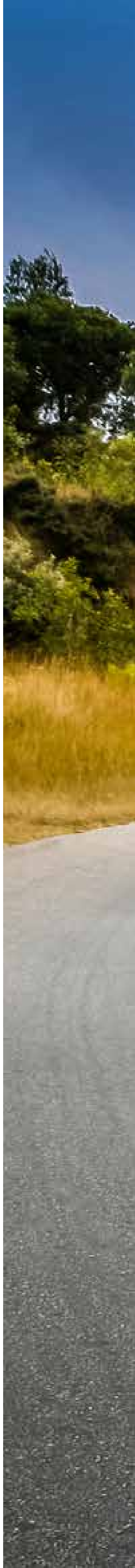
Estimated **carbon footprint** for ReM portfolio:

Absolute GHG emissions:
0.2 Mt CO_2-eq/year

Carbon sequestration by forestry:
0.3 Mt CO_2-eq/year

Emissions avoided relative to the expected alternative:
0.6 Mt CO_2-eq/year

For details see Annex 1.



Box 7

Renovating Ukraine's universities

Ukraine has the highest per capita energy consumption rate in Europe and part of the reason for this lies in the low energy efficiency of many buildings. At the same time, the country needs to invest in education and skills to enhance economic competitiveness and long-term economic prospects. The Ukraine Higher Education project will respond to both these challenges, increasing energy efficiency through the refurbishment of teaching, research and support facilities at several universities using the latest energy-saving technologies. The intervention should help reduce running costs, improve the quality of teaching, and enhance the quality of learning spaces and research facilities. It will help the universities to make progress towards meeting the standards of the European Higher Education Area and the European Research Area, and thus replicates EU actions to increase investment in research and education facilities to achieve the EU 2020 strategy objectives.

Under the first phase of the project, energy efficiency measures will be financed in seven universities for a total of 147 buildings with a combined floor surface area of 820 000 m^2. It is estimated that the project should lead to a GHG emissions reduction relative to the pre-project scenario of 18 kt CO_2-eq/year. Works will create some 14 200 person-years of employment. The EIB loan of EUR 120m represents three quarters of the total project cost, providing financial resources for the project that would be difficult for the Ukrainian authorities to raise on their own, given the difficult situation in the country. The project will be co-financed by the Nordic Environment Finance Corporation (NEFCO) and is supported by generous grants from the Eastern Europe Energy Efficiency and Environment Partnership (E5P), the Neighbourhood Investment Facility of the European Commission, and the Eastern Europe Technical Assistance Trust Fund (EPTATF).

Box 8

Reducing pollution in the Mediterranean

The overall objective of the DEPOLMED initiative in Tunisia is to combat pollution in the Mediterranean Sea, bringing benefits to local communities at the same time. It involves a EUR 140m investment programme aimed at rehabilitating and expanding sewerage networks and water treatment installations in the coastal regions of Tunisia. Working with the Agence Française de Développement, the EIB is contributing EUR 70m. The project is also benefiting from a Neighbourhood Investment Facility grant.

By improving the environment, as well as the effectiveness of the public sanitation service ONAS, the programme aims to improve the living conditions of people living in the coastal regions of the Mediterranean, both in Tunisia and beyond. The project is expected to have positive impacts on all the sectors affected by pollution – especially fishing and tourism – and will allow for the connection of 60 000 additional people to the sewerage network, while improving services for close to 1.2 million people who are already connected. In addition, there will be a positive impact in terms of climate change mitigation and adaptation as the treatment of wastewater will result in a reduction in emissions of methane and will reduce reliance on already stressed water resources.

Alongside mitigation, it is clear that mainstreaming considerations of climate resilience and **adaptation to climate change** has now become unavoidable. This is an increasingly important element of EIB-supported projects, whether in relation to more resilient infrastructure systems (Box 9), or in terms of making food systems more resilient to climate variability. For example, in Ukraine one project will support Nibulon in building modern grain storage facilities, improving climate resilience, as well as promoting mitigation through a reduction in food wastage and investments in river transport. A credit line to the national Bank of Malawi will also specifically target private sector investments in agricultural storage, while in Georgia another credit line will have a strong focus on promoting more climate-resilient crop varieties and cropping technologies (Box 18). The Senegal River Valley Rice project (Box 5) addresses food security through the development of irrigation in an area that is forecast to be affected by decreased and more variable rainfall patterns. Sanitation sector projects can also make an important contribution to adaptation, not only reducing pollution through improved sewage treatment, but also helping to address water security (Box 8).

Box 9

More resilient road networks in Madagascar

In 2015, extreme weather conditions in Madagascar left much of the local infrastructure in need of repair and more than 40 000 people displaced. To support Madagascar's reconstruction efforts, the EIB provided EUR 40m to reconstruct the damaged transport and flood protection infrastructure. The project encompasses the reconstruction of damaged or destroyed roads, dykes and bridges, predominantly located in the Antananarivo region. The loan will also finance works to stabilise a rail viaduct that was damaged. The importance of these works to enhance the resilience of transport infrastructure was shown again in March 2017 when Madagascar was hit by another devastating cyclone.

An accompanying EUR 28m loan is supporting the extension of the road network around the capital Antananarivo with the aim of reducing chronic traffic congestion and improving resilience to future extreme weather events. The project, co-financed with the Agence France de Développement, will also increase safety and reduce transport time and fuel consumption, whilst the improved road quality will lower the cost of vehicle maintenance.

Migration – reaping the benefits and addressing the challenges

Historically, and on average, migration has been beneficial for both receiving and sending countries.

Indeed, it has a huge potential role to play in addressing global poverty and inequality, particularly via remittance flows. However, migration can also have significant economic and social costs in the short term, particularly when migration rates change rapidly or unexpectedly. Migration is not a new phenomenon, but rather an ongoing and ordinary economic, social and cultural process. However, the situation on Europe's borders has changed since 2013. Net migration fluctuates over time, but there has been a clear surge in asylum seekers arriving into the EU since late 2013, as well as in the numbers who have lost their lives on the way. This represents a human tragedy, with unacceptable levels of human suffering and loss of life. Furthermore, although the fiscal costs for EU Member States are likely to be manageable and migration has strong potential upsides for receiving countries in the longer run, it has brought significant adjustment challenges for receiving and transit countries within and outside Europe, including pressure on housing, public services and infrastructure and, possibly, on labour markets. The countries of origin also face challenges as well as benefits in the short and possibly even the long term, especially when young, productive and educated workers are leaving.

The immediate crisis has been triggered by the situation in Syria. An estimated 11 million people have fled their homes in the country as a result of war, giving rise to the biggest refugee crisis since World War II. Almost 5 million of these have left Syria and are mostly hosted in neighbouring countries. Over 2 million refugees are currently hosted in the EU's Southern Neighbourhood, and 3 million are hosted in Turkey, while the Western Balkan countries have been traversed by one of the main routes to Europe. In addition to those fleeing Syria, there are also significant numbers of migrants arriving from other countries witnessing conflict (such as Afghanistan and Iraq) and from other developing countries, suffering those in Sub-Saharan Africa. A far larger number of migrants move within the Sub-Saharan Africa region, either in search of refuge or better economic prospects.

The EIB complements indispensable humanitarian aid, as well as short-term measures to address the consequences of the refugee crisis unfolding as a result of conflicts in Syria and elsewhere, by playing an important role in helping countries receiving refugees to build their economic resilience. Economic resilience is the capacity of economies to absorb and respond to crises and shocks, while maintaining strong growth.

Box 10

EIB launches the Economic Resilience Initiative

The Economic Resilience Initiative aims to boost economic resilience in the Southern Neighbourhood and the Western Balkans by upgrading and developing social and economic infrastructure and stimulating growth and job creation. It forms part of the joined-up EU response to the challenges posed by forced displacement and irregular migration, and will be implemented in close cooperation with the EU institutions, Member States and other partners.

To make this initiative a reality, the EIB is building on over three decades of experience supporting projects fostering job creation, sustainable growth, vital infrastructure and social cohesion in these regions. Launched in late 2016, the initiative involves a step change in EIB support for the two regions, increasing its financing by EUR 6bn over a five year period, in addition to the EUR 7.5bn in EIB financing already projected. This extra financing will be achieved in part by prioritising resources under existing funding frameworks, and in part by expanded guarantee support from the EU as well as donor resources to be used for technical assistance, investment grants, impact finance, and other forms of concessional finance.

See: http://www.eib.org/resilience-initiative

Economic resilience can be strengthened through measures aimed at mitigating both the risks and the consequences of severe crises. Without international commitments, economic growth and sustainable development could be vulnerable in these regions. Resilience is therefore vital to local economies and people. By boosting stability on the borders of the EU and beyond, supporting resilience in these regions is also in the long-term interest of the EU Member States.

In this context, the EIB has been called upon by the European Council to intensify its support for the EU's neighbourhood, including the countries in the Southern Neighbourhood and Western Balkans, to boost economic resilience, growth and the achievement of the SDGs. Recognising the magnitude of the challenges, the EIB has launched the Economic Resilience Initiative (ERI) in support of these regions (Box 10).

At the same time, the EIB continues to support inclusive economic growth in Turkey, for example through financing for SMEs and economic and social infrastructure such as the Gaziantep Health Campus near the Syrian border (Box 11). The EIB is collaborating with the European Commission and other partners on the implementation of the large-scale Facility for Refugees in Turkey.

The fact that hundreds of thousands of – mainly young – people are willing to risk their lives in search of better prospects abroad has starkly highlighted our responsibility to continue working to create de-

Box 11

Expanding hospital capacity in southern Turkey

The southern Turkish city of Gaziantep is one of the fastest growing in the world and hosts an extremely high concentration of refugees, with the Syrian border just 40 km away. Although helping to deal with the influx of refugees was not the primary objective when the project was initiated, the Gaziantep Health Campus will help meet the urgent need to increase healthcare capacity in the region, where refugees make up 80% of patients in some hospitals.

The EIB investment will support the design, construction and facility management of part of the campus consisting of seven hospitals with a total of 1 875 beds. Eventually, it is expected that some 300 000 inpatients and 3.5 million outpatients will be able to benefit from high quality services every year. For the EIB, this was a pioneering project, involving a direct-risk loan to a public-private partnership, and is an example of how the Bank can absorb risks to achieve high social impacts.

cent opportunities in developing countries, for those who would prefer to build their lives closer to home. This means that, alongside the unequivocal need to promote peace and security, there is a clear role for the EIB in addressing the lack of economic perspectives in developing regions such as Sub-Saharan Africa, and the Bank has committed to enhancing its efforts in this region.

With agreement from the EU Member States, the Bank's "Impact Financing Envelope" for the ACP region will be turned into a revolving fund to provide a further EUR 300m in financing for particularly high-impact projects in high-risk contexts. A further EUR 500m is being made available for public sector lending in the ACP region that will stimulate economic activity in targeted areas.

Box 12

Creating economic opportunities in Burkina Faso and Niger

Burkina Faso and Niger are among the least developed countries in the world. One of the challenges they face is the lack of finance for local small businesses to invest and create employment, as demonstrated by the fact that credit to the private sector stands at below 20% of GDP in both countries. Banks in these countries are forced to rely on short-term deposits as their main funding source, with the result that longer-term financing for investments by businesses and households is very costly – if it is available at all. With such restricted development of economic opportunities at home, it is understandable that many people from these countries seek a better life elsewhere.

A credit line to local Bank of Africa subsidiaries will help to address this situation, providing them with long-term local currency financing and helping them extend the maturity of loans to local business by around 140%. A EUR 5m credit line will enable lending to mostly small businesses in Niger in sectors such as transport, telecommunications, energy, and agriculture, while EUR 3m will support microfinance lending to farmers in Burkina Faso. In total, more than 300 businesses employing more than 1 800 people will be supported in this way, with knock-on benefits for the economy as a whole, including through the strengthening of the local financial sector.

Focusing on impact

Providing finance in a way that is focused on addressing social and environmental challenges often means investing in riskier projects in more difficult contexts.

"Impact financing" at the EIB is thus focused on high-risk, high-impact operations, and the Bank is becoming increasingly active in this area. Alongside our inside-EU activities such as the European Investment Fund's Social Impact Accelerator, we manage two Impact Financing Envelopes outside the EU, one under the FEMIP Trust Fund for the Southern Mediterranean region and the other – a much larger EUR 800m envelope – under the Investment Facility (IF) for the Africa, Caribbean and Pacific (ACP) region.

These impact financing envelopes enable the EIB to respond to the challenge of targeting high positive social and environmental impacts through private sector projects which could not otherwise be considered due to their level of risk or low risk-adjusted returns. Reflecting the higher risk level of these projects and the high expectations in terms of development results, the EIB makes an extra effort to track the results achieved.

Under the ACP IFE, eight new projects were signed in 2016, representing EUR 98m of approved EIB finance that will support around EUR 310m in investment. To strike the right balance between risks and potential impact, the EIB adopts a portfolio approach. Highest-risk are tools where the EIB specifically seeks to absorb risk to attract other investors to underserved markets, such as two portfolio guarantees provided to Ecobank and Société Générale to support lending to SMEs in a number of mostly fragile situations in Africa. Credit lines for financial intermediaries involve less risk-taking and are mostly used, under the IFE, to support microfinance providers in riskier contexts, such as two new projects under the Caribbean Impact Financing facility and investments in the Pamiga Association (Box 13) and Luxembourg Microfinance Development Fund (LMDF).

Social impact funds like Energy Access Ventures (Box 15) provide not only equity finance but also mentoring and other support for young investee companies – many of them start-ups – delivering solutions for the African population, including the poorest. They are expected to have a high development impact, contributing significantly to the achievement of the Sustainable Development Goals. Finally, the EIB can allocate funds directly to businesses deliberately targeting positive impacts alongside financial returns, helping them to get high-impact projects off the ground by catalysing further financing. The Senegal River Valley Rice project (Box 5) and Rural Telecom Network Expansion (Box 14) both fall into this category.

Alongside its standard Results Measurement (ReM) Framework (Annex 3), the EIB has developed an expanded "ReM+" Framework for impact financing operations. It goes further in terms of estimating numbers of direct and indirect final beneficiaries and also their profile, assessing the share of "base-of-the-pyramid" beneficiaries as well as gender and youth dimensions, where possible.

Together, the eight IFE operations signed in 2016, with total EIB financing of EUR 98m, are expected to reach 2.7 million direct beneficiaries such as micro-entrepreneurs or farmers benefiting from irrigation, and at least 7 million indirect beneficiaries, mainly the family members of those who benefit directly. For the projects where ex ante estimates were possible, 57% of direct beneficiaries are expected to come from the most economically deprived base-of-the-pyramid and 49% are expected to be women. As an example, by building 650 mobile, solar-powered base stations in rural communities with no mobile phone signal in the Democratic Republic of Congo and Cameroon, the Rural Telecom Network Expansion project will provide mobile connectivity to around 1.3 million people, many of them currently living in poverty. On the other hand, income-generating activities for women will be supported in particular via our microfinance operations, such as LMDF. This project provides loans for MFIs operating in countries such as Mali, Burkina Faso, Côte d'Ivoire and Niger, and 65% of client beneficiaries are expected to be women.

Box 13

Microfinancing small-scale water and energy solutions

The Pamiga Association has a long track record of providing advisory services to microfinance institutions and has recently piloted working through such MFIs to finance the adoption of small-scale, household or village-level solar power, irrigation and drinking water technologies. A EUR 4m EIB investment signed in 2016 will help Pamiga to raise EUR 12m to expand this approach through local currency loans to MFIs in around eight African countries, with EIB-sponsored technical assistance helping to support implementation and ensure that social and environmental standards are met.

It is expected that the MFI lending supported will finance some 33 000 microenterprises; help about 53 500 households, 1 350 micro or small businesses and 230 villages benefit from solar power units; support around 6 100 smallholder farmers through small-scale irrigation schemes; and improve access to potable water for another 33 000 households. In total, some 127 000 people are expected to benefit directly, of which it is estimated that half will be women and 48% living on less than USD 1.25 a day. Over 600 000 people – mostly members of the direct beneficaries' households and communities – are expected to benefit more indirectly.

Box 14

Rural Telecom Network Expansion

Mobile phones are playing an important role in development in much of Africa, facilitating business development and enabling access to a wide range of services in areas such as education, health, agricultural support and financial services. But extending coverage to remote areas presents a challenge. This is why the EIB is lending EUR 24m to a EUR 60m project by Africa Mobile Networks to extend access to mobile phone and data networks to people in rural areas of Cameroon and the Democratic Republic of Congo, powered by solar energy. Access to affordable, long-term financing has so far been a critical bottleneck holding back this network expansion by the company.

650 mobile base stations will be built in areas with no existing coverage, providing both phone and 2G data connections (upgradable to 3G in the future), and at the same time enabling a low-carbon solution. This is expected to enable some 1.3m people to benefit directly as mobile subscribers by the end of the project, indirectly benefiting a similar number of other people in their households. Based on rates typical elsewhere, it is expected that 41% of mobile phone users will be women, while household survey data suggests some 73% are likely to be at or below the national poverty lines for these countries.

Box 15

Progress report – Energy Access Ventures

Energy Access Ventures Fund (EAVF) is a EUR 55m venture capital fund investing in high-growth businesses providing new and improved energy solutions in Africa, and aiming to deliver reliable and affordable energy to rural and underserved areas and populations. The EIB invested EUR 10m in the Fund in 2015 and by the end of 2016 it had already invested in three companies: Off Grid Electric, D.Light and PEG.

All three of these companies are dedicated to the rapid roll-out of affordable, off-grid, solar-powered solutions for electricity supply, particularly lighting, for households and small businesses. They are not only ensuring the distribution of small-scale solar technologies, but also addressing the financial constraints that often prevent low-income households from investing in such technologies. This is done via a lease-to-own approach which enables customers to build ownership in a clean solar energy solution, replacing perpetual spending on poor-quality polluting fuels, such as kerosene. Existing mobile payment technologies are used to streamline payment collection. While Off Grid Electric is currently active in Tanzania, Rwanda and Côte d'Ivoire, PEG is focused on Ghana and D.Light has ten field offices and five distribution hubs in East Africa, West Africa, and elsewhere in the world.

Overall, between the date of investment by EAVF and the end of 2016, these investee companies equipped around 343 000 households (comprising 1.7 million people) and 1 000 MSMEs around Sub-Saharan Africa with off-grid products that respond to the diverse needs and income levels of consumers, with entry-level products affordable to clients earning as little as USD 1.25 a day. Based on distribution data for the lowest-cost units, it is estimated that more than half of clients are from the poorest sections of society. 83% live in rural areas. Adopting or switching to solar lighting appliances can impact on people's lives in different ways, ranging from increased study time to reduced exposure to kerosene fumes and better fire safety. Finally, these companies also directly employ more than 2 000 people in countries such as Ghana, Rwanda, Tanzania and Côte D'Ivoire. 34% of these employees are women.

Beyond what local markets offer – the EIB contribution

Thanks to the EU guarantees it receives under the ELM and Cotonou mandates, as well as blending with EU grant resources, the EIB is able to make a real technical and financial contribution to the projects it supports.


puma

It enables many projects to go ahead that could not otherwise have done so, while improving the success level of others. In order to track the difference we make, we appraise the contribution of the EIB to every project and why it makes sense for the EIB to be involved. We evaluate what the EIB is able to offer that is not otherwise available for the project on the local market.

For 2016, using a refined methodology under the third pillar of our Results Measurement Framework we rated the overall EIB contribution to 19 of 87 projects as "4 – high" and to 58 as "3 – significant" (see Figure 4). The overall ratings were highest on average in the ACP region – something that reflects the complexity of projects and the prevalence of difficult local financing conditions in less developed ACP countries – and in the Eastern Neighbourhood, where the contribution in terms of technical advice was particularly strong.

Responding to financing needs – The Results Measurement Framework tracks the contribution made by the financial conditions offered by the EIB. This includes blending with grants (subsidies), the provision of financing in local currencies, and the length of the loan tenor period relative to the local market alternative, as well as the economic life of the investment financed. The tenor periods were rated very highly across financial instrument types (Table 2), matching the economic life of the investments financed in the great majority of cases. Relative to alternatives on local markets, the tenor extension was substantial for all instruments and was rated as making a particular contribution to microfinance projects. Blending EIB loans with investment grants or interest rate subsidies is also an important contribution. The Bank has provided or expects to provide such subsidies or grants for 16 projects, nearly all for infrastructure development, with eight in the Eastern Neighbourhood and six in the ACP region. Credit lines do not normally involve blending, but EIB financing for the Georgian Agri-food Value Chain project (Box 18) is expected to be blended with investment grants, as well as technical assistance, funded by the Neighbourhood Investment Facility, which supports critical investments in the EU's neighbouring regions in line with EU policies.

Catalytic effect – The financial facilitation role of EIB involvement also very often has a catalytic effect in terms of attracting other sources of finance and raising standards. The two risk-sharing guarantees to support lending for SMEs in Côte d'Ivoire and the wider ACP region are rated as particularly innovative

Figure 4

EIB contribution – new project ratings

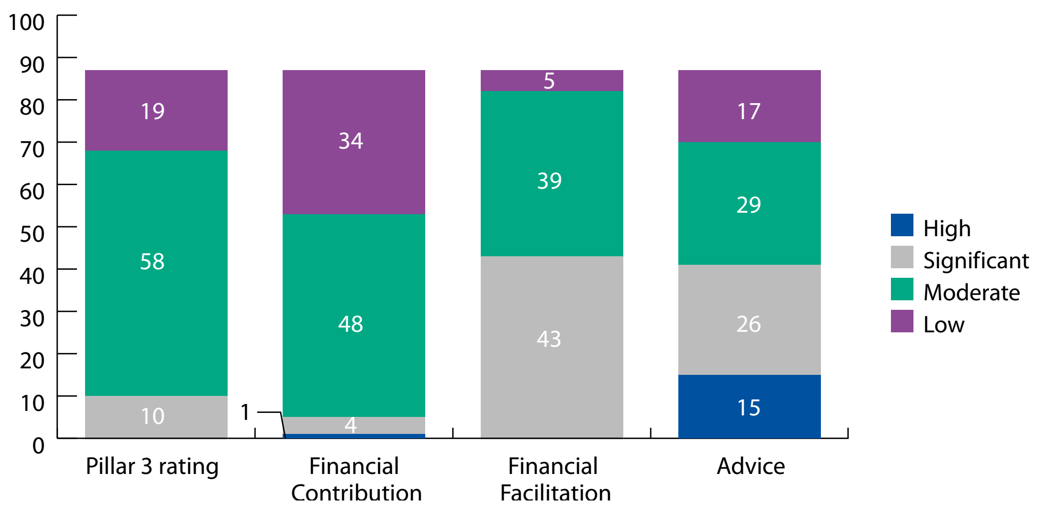


Table 2

EIB technical and financial contribution to the project – average values for different instrument types

		Loans for infrastructure	Credit lines for SMEs and midcaps	Risk-sharing guarantees	Credit lines for microfinance	Microfinance investment vehicles	Private equity funds
	Number of projects	41	33	2	5	4	2
	EIB contribution – overall rating	**3.1**	**2.9**	**4.0**	**3.8**	**3.5**	**3.0**
Financial contribution	**Overall rating**	**3.3**	**3.2**	**4.0**	**3.8**	**3.5**	**4.0**
	Subsidy (%)	5.5	0.1	0.0	0.0	0.0	0.0
	Subsidy (rating)	2.0	1.1	1.0	1.0	1.0	1.0
	Local currency financing (rating)	1.0	1.7	4.0	3.4	2.5	3.5
	Extension of tenor (%)	174	142	50	132	100	50
	Extension of tenor (rating)	3.4	3.6	3.0	4.0	3.8	2.5
	Match with economic life (%)	91	95	100	100	100	100
	Match with economic life (rating)	3.7	3.8	4.0	4.0	4.0	4.0
Financial contribution	**Overall rating**	**2.5**	**2.4**	**4.0**	**3.0**	**3.0**	**3.0**
	Innovative financing	1.5	1.6	4.0	3.2	3.0	3.0
	Attracting private sector financiers	2.2	2.6	4.0	3.0	3.0	3.0
	Working with public sector partners	2.5	N/A	3.0	2.2	2.3	2.5
	Raising standards	3.1	3.0	3.0	2.8	2.5	3.0
Advice	**Overall rating**	**2.8**	**2.1**	**3.0**	**3.6**	**3.0**	**2.0**
	Financial advice & structuring	2.2	1.7	4.0	3.4	2.0	2.0
	Technical contribution & advice	3.0	2.2	1.0	3.6	3.5	1.0
	Weighted average tenor provided (years)	20.4	7.3	6.5	5.9	6.7	12.0

EIB contribution ratings for individual projects: **4= high; 3 = significant; 2 = moderate; 1 = low**. The table shows simple average ratings or percentages across projects (apart from tenor provided, which is weighted by lending volume).

as the use of portfolio guarantees on this scale is new for the ACP region. The EIB has played a key role in the structuring of these operations, which will help local bank subsidiaries to raise further private finance. Overall, the EIB's role in helping to attract private sector finance is strongest in the ACP region.

A good example of the EIB's role in raising standards is the Georgian Agri-food Value Chains credit line, which will support SMEs in the agriculture and food processing sectors. EIB involvement is ensuring higher standards both with regard to the eligibility of financial intermediaries and the environmental and social screening of SMEs' investment projects. A technical assistance component is also likely to contribute significantly to the adoption of EU standards in the sector. Overall, **EIB financing for new projects in 2016 will equal 42% of the total amount invested in projects, a multiplier of 2.4.**

Providing advice – The EIB provides technical contributions to projects both in terms of advice regarding financial design and structuring, and in terms of advice by EIB sector experts concerning elements of the projects themselves. In many cases, a high technical contribution is achieved through a specific grant-funded technical assistance component that the EIB is able to help secure. In 2016, the Eastern Neighbourhood and the ACP region in particular benefited from both financial and technical advice. In the case of Ukraine, for instance, the technical assistance component of EIB support has been particularly recognised and praised by local stakeholders. Through EIB-administered assistance, these stakeholders have gained knowledge and expertise in project management and implementation, and have received support in adopting EU standards for procurement. In terms of instruments, the EIB technical contribution was particularly high for microfinance and guarantees, and for many infrastructure projects.

Box 16

Technical assistance in action

EAC Microfinance Facility II, Kenya – Technical assistance is available for both intermediary microfinance providers on issues such as credit risk management, and for final beneficiaries on issues such as business planning and entrepreneurship.

Armenia M6 Interstate Road – The EIB mobilised a technical assistance grant from the Eastern Partnership Technical Assistance Trust Fund to finance feasibility and design studies, as well as the Environmental Impact Assessment.

DAMU Green loan for SMES and Midcaps, Kazakhstan – The EIB will provide DAMU with technical assistance for capacity-building, helping DAMU and the financial intermediaries to implement the Bank's eligibility criteria concerning climate change/environmental protection measurement methodologies, as well as environmental, social and procurement standards.

Eau et Assainissement Cotonou, Benin – To improve the water supply and wastewater treatment in the city, the EIB financed a feasibility study and will finance assistance to the contracting authority and the project manager to ensure successful implementation.

Bizerte Bridge, Tunisia – EIB advisory services supported project preparation and the Bank's Projects Directorate is providing technical support for implementation.

Box 17

Supporting rural SMEs in Armenia

The Armenian economy has seen strong growth and a decline in poverty in recent years, but there is a need to diversify the economy and strengthen the SME sector, particularly in relatively underdeveloped rural areas. Yet SMEs suffer from limited access to finance, reflecting the fact that local banks themselves do not have direct access to capital markets and are largely reliant on short-term funding sources.

The Armenia Apex Loan, signed in 2014, has helped to address this situation, providing long-term finance for local banks through the Central Bank of the Republic of Armenia. This financing was almost fully allocated by the end of 2016, reaching 113 companies employing a reported 6 357 people (56 employees on average), and overwhelmingly in the agriculture, food processing and accommodation and catering sectors. With an average maturity of over five years, the terms of the loans provided are much more advantageous for financing productive investments than those typically available for SMEs. It is estimated that these loans may help create just over 2 000 additional jobs.

To enhance the effectiveness of the project and increase the lasting benefits, the EIB was able to mobilise EUR 500 000 from the Eastern Partnership Technical Assistance Trust Fund for capacity-building. Local intermediary banks received training on how to develop products that meet the needs of agricultural and tourism SMEs, how to assess the environmental and climate risks of agricultural investments, and how to comply with EIB selection criteria. Training on financial literacy was provided to final beneficiary SMEs, including specialised training for SMEs run by women.

The Araks-2 cooperative employs around 24 people, utilising local milk production to manufacture a range of cheeses. They used a five-year EIB-funded loan of EUR 36 000 to acquire a new pasteuriser, casting forms and inputs, enabling them to step-up production. Looking forward, they plan to invest in tripling production capacity and expanding the export share of sales to at least 35%.

A loan of EUR 180 000 with a seven-year duration financed the renovation of Hotel Alpina in the popular tourist town of Tsakhkadzor, and enabled the purchase of the hotel minibus. With 35 employees, the hotel has already achieved a 20% increase in guest numbers.

In detail – lending in 2016

Supporting local private sector development

The 2030 Development Agenda cannot be achieved without the growth of a vibrant private sector to provide decent employment and incomes to the majority of people in our societies, and to supply many of the basic services that we need.

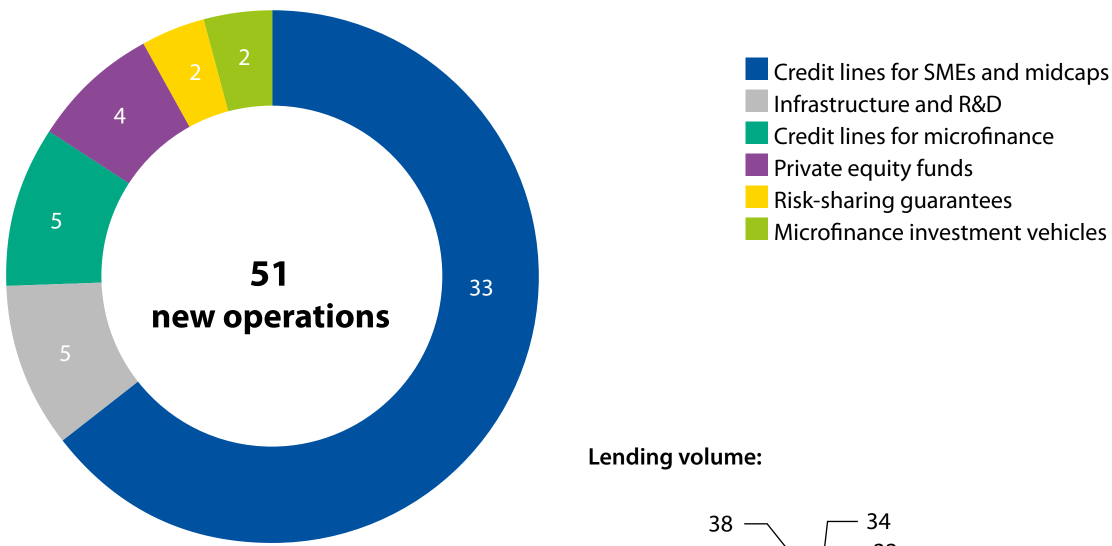
The private sector is also an essential part of the partnership that must be fostered to make this vision a reality.

But people trying to establish and grow a business in emerging and developing countries face many constraints, not least in terms of access to appropriate finance. The most severe difficulties are faced by the poorest in society who often lack access to the most basic financial services such as formal opportunities for saving, getting insurance or borrowing the financial capital they need to establish, conduct and expand their business activities.

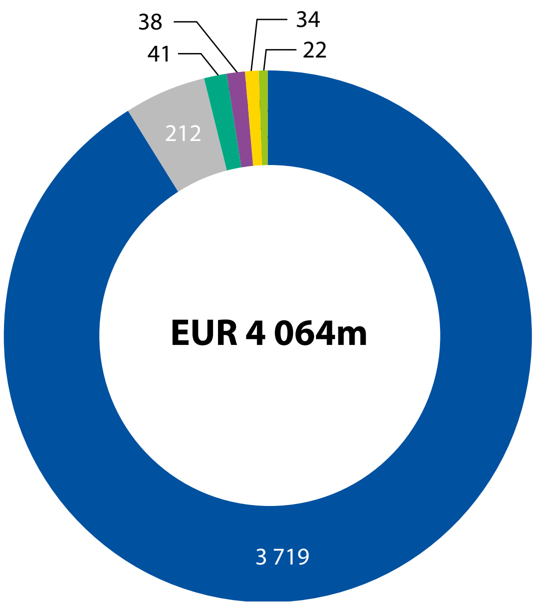
Figure 5

Contribution of new projects to local private sector development by type of operation

Number of new operations:



Lending volume:



Note: Lending volumes are prorated by degree of contribution to the local private sector development objective. Many operations also contribute to the cross-cutting climate and regional integration objectives.

More established businesses also face constraints that inhibit investment and expansion and put the jobs of their employees at risk. In these contexts, small and medium-sized enterprises and even midcap companies face greater financing challenges than large firms and this problem is greatly exacerbated in countries with an underdeveloped financial sector, where banks themselves face enhanced funding constraints and find it hard to meet the financing needs of most companies. Another gap is in the provision of risk-absorbing equity finance that can be critical in achieving a breakthrough for companies with a high potential for growth and job creation. In 2016, the EIB signed 51 new operations to support local private sector development outside the EU, with approved lending of EUR 4.1bn.

Credit lines for private enterprise – In 2016 we provided EUR 3.7bn through 33 credit lines for local financial intermediaries to enable them to go further in addressing the financing needs of small and medium-sized enterprises and midcap companies. This will enhance access to longer-term financing for smaller businesses, helping to create and sustain jobs. In underdeveloped financial systems, even medium-sized and midcap companies can face financing constraints.

The new credit lines for SMEs and midcaps provided in 2016 will allow local intermediary banks to grant more than 11 000 loans, averaging around EUR 338 300 each. Of these, 10 000 are expected to go to SMEs with an estimated average size of just 24 employees. This financing will also enable local banks to extend the duration of the loans they offer to SMEs and midcaps, with the average loan tenor (weighted by loan size) expected to be 4.3 years, a substantial increase on the loan durations typical for developing contexts. In fact, like last year, it is estimated that the loan tenor provided will be on average 142% higher than the local market norm, and will match the economic life of the SME investments financed in the great majority of cases. In the end, it is expected that these 33 credit lines will help sustain some 597 000 jobs in final beneficiary companies.

Credit lines are not just a means of extending credit, through intermediaries, to SMEs and midcaps; they also have more indirect impacts on access to finance by supporting the development of local financial sectors that have the capacity to serve previously underserved sectors of the economy. 12 of the new credit lines in 2016 are rated as "excellent" in terms of support for banks operating in very shallow markets where credit for the private sector is less than 24% of GDP. Seven are rated "good" or "excellent" in terms of support for second tier banks (smaller banks with a lower credit rating than the leading banks in a country). Another seven have a specific focus on increasing access to finance for underserved markets such as women or rural businesses.

Box 18

Modernising the agri-food value chain in Georgia

The EIB is working with the Government of Georgia to enhance access to finance for SMEs and midcaps in selected value chains within the Georgian agri-food sector: horticulture, nuts and wine. The agriculture sector is an important source of employment and acts as a social safety net for the rural poor. The project will support technological modernisation in order to improve resource efficiency, reduce losses and waste along the value chain, improve competitiveness, enhance product safety and quality and ensure that sales of Georgian products can be strengthened both in the country and internationally. A EUR 100m credit line will be channelled through local intermediaries to some 700 SMEs and a small number of midcaps, helping to sustain around 19 000 jobs.

The project will contribute to climate adaptation through the promotion of new crop varieties and cropping technologies, improving the consistency of yields despite changing weather patterns in the south Caucasus. It will also result in climate mitigation through improved energy efficiency in production, storage, transportation and processing and significant reductions in agri-food losses and waste.

Table 3

Supporting local private sector development – overview of key expected results for new projects in 2016

	Expected outputs			Expected outcomes	
SME/midcap credit lines	Total loans (EUR m)	3 755	→	Jobs sustained (total)	597 100
	Total loans #	11 100		In SMEs	236 100
	Average loan size (EUR)	338 300		In midcaps	358 700
	Average loan tenor (years)	4.3		In other	2 200
SME/midcap guarantees	SME loans guaranteed (EUR m)	132	→	Jobs sustained in SMEs	12 900
	SME loans guaranteed (#)	5 460			
	Average loan size (EUR)	24 200			
	Average loan tenor (years)	1.2			
Microfinance institutions	Loans to microenterprises (EUR m)	113	→	Jobs sustained in microenterprises	92 000
	Loans to microenterprises (#)	126 900			
	Average loan size (EUR)	891			
	Female final beneficiaries (%)	51			
Microfinance investment vehicles	Total MIV fund size (EUR m)	296	→	Loans to final beneficiaries by MFIs supported (#)	1 652 000
	Average leverage ratio	6.1		Female final beneficiaries (%)	58
	MFIs supported (#)	104		Net creation of perm. employment in MFIs supported	6 040
Private equity funds	Total fund size (EUR m)	468	→	Net creation of direct permanent employment in investee companies	2 130
	Average leverage ratio	12.5			
	Investee companies (#)	25			
	Average investment (EUR m)	12.9			

Table 4

Credit lines for private enterprise – expected results by region and firm size

Expected outputs	ACP	ALA	EAST	MED	PA	SMEs	Midcaps	Other
Number of projects	11	2	4	5	11	-	-	-
Total loans (EUR m)	213	200	595	867	1 880	2 616	1 153	15
Total loans #	1 521	807	1 326	798	6 694	9 998	1 133	15
Average loan size (EUR '000s)	140	248	449	1 086	281	259	1 012	1 000
Average loan tenor (years)	5.1	4.0	2.8	4.6	4.6	4.3	4.4	10.0

Guarantees for SMEs and midcaps – In the ACP region we also provided two risk-sharing portfolio guarantees under the ACP IF Impact Financing Envelope to local banking subsidiaries to support lending to SMEs. This is an alternative way of supporting lending to SMEs: by effectively insuring banks against loss on lending to SMEs in difficult and underserved markets, we enable local subsidiaries to meet the financing needs of more small companies in those markets. These two guarantees are expected to help sustain nearly 13 000 jobs.

Microfinance – We provided credit lines to five microfinance institutions (MFIs) which will enable them to help sustain some 92 000 jobs, mostly self-employed micro-entrepreneurs, just over half of whom are expected to be women. The average loan size is expected to be EUR 891, with the finance provided typically acting as a revolving fund for the duration of the EIB contract. We also supported microfinance provision through investments in four Microfinance Investment Vehicles (MIVs), helping these funds to raise more money and pass on this financing to an estimated 104 local MFIs that would otherwise be hard for the EIB to reach. This is expected to support the creation of more than 6 000 jobs in these MFIs, which in total are expected to provide more than 1.6 million loans to microenterprises.

Private equity funds – Also in the ACP region, we invested EUR 38m in two equity funds looking to fill gaps in under-developed markets for game-changing equity finance. These are expected to select 25 companies around Africa that have high growth potential and that can benefit from the capital and technical support that the funds can provide. This is expected to create 2 130 jobs overall.

Infrastructure and R&D – Some EIB loans for larger industrial or infrastructure projects also support private sector development through direct lending to private sector actors, or through intermediated lending to companies for specific infrastructure improvements. Five such projects in 2016 include two agriculture sector projects (see Box 5) and two projects focused on smaller renewable energy projects in the Maldives (Box 6) and Turkey. Sector-specific indicators for the projects are reported in the following section.

One new operation will fund research and development by ICL – spanning research sites in Israel, Germany and the Netherlands – that is expected to achieve economic and environmental improvements in the fertiliser industry. The project will create 1 480 person-years of employment.


HYUNDAI

Developing social and economic infrastructure

Developing the infrastructure needed to provide essential services and support economic growth is a key pillar of the development process.

Whether we are considering water and sanitation systems, public transport and roads, energy systems or healthcare facilities, we are dealing with the vital building blocks of social, economic, and sustainable development. And because infrastructure assets are often public goods with positive spill-overs for society, the environment and the economy, public financing often has a crucial role to play.

In 2016, the EIB invested a total approved amount of EUR 3.98bn in 41 new infrastructure projects outside the EU. Transport projects were a particular focus with 14 projects representing more than EUR 2bn in lending expected to benefit around 1.2 million passengers every day. But EIB projects also covered a wide range of sectors. Alongside energy and transport investments and projects in the water and sanitation sector, there are also significant investments in mixed urban infrastructure, the renovation of education facilities, hospital construction and other areas.

Transport – EIB lending to the transport sector outside the EU increased over the previous year in terms of both the number of new projects and the volume of lending. Urban public transport and railways accounted for around half of this lending by volume. Major projects include the first metro line in the city of Lucknow, India (Box 3), a framework loan for urban public transport investments in Ukraine, a further extension of the metro system in Istanbul, which builds on previous EIB investments in that system, and additional rolling stock for the metro system in Cairo. EIB lending will also support the upgrading of 323 km of railway lines in Moldova and Ukraine to provide increased capacity and reduce travel times, helping to prevent increases in road traffic. Together, these metro and rail projects will benefit some 1.2 million passengers every day, save 42 million hours of travel time every year, and enable 22 million tonnes of cargo to be carried.

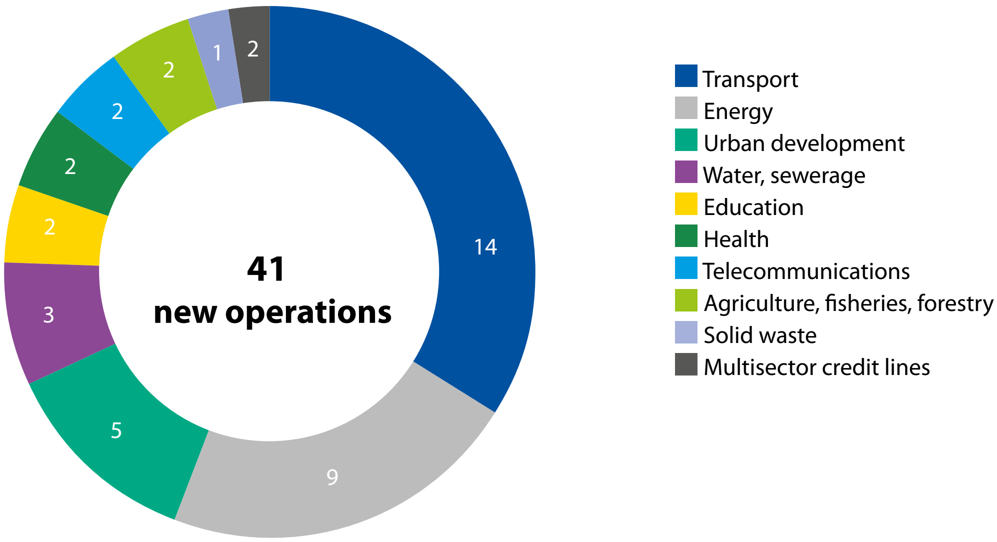
Seven new road sector projects include three to improve trade connections within and between Georgia and Armenia along parts of the extended Trans-European Transport Network (Box 19). The Bank is also supporting road modernisation in Bosnia-Herzegovina, and two projects in Madagascar that will repair flood-damaged roads and modernise the existing road network by constructing missing sections of the capital city's bypass, in order to reduce congestion (Box 9). One project is notable for the huge impact it is expected to have on congestion in the city of Bizerte in Tunisia. The two parts of the city, which straddles the mouth of Lake Bizerte, are currently linked by a single lifting bridge. The project will construct a new bypass with a 2.1 km-long bridge across the lake, expected to be used by 26 000 vehicles daily, saving 6.5 million hours of travel time.

Energy – With nine new projects receiving EUR 669m in EIB lending, the energy sector is less of a focus than last year. There are fewer large-scale energy generation projects and a larger focus on smaller schemes involving generation from renewable sources of energy. In fact, the only generation capacity from fossil fuels will be modern diesel generators installed in the Maldives as a part of a new system involving solar-voltaic generation to replace older

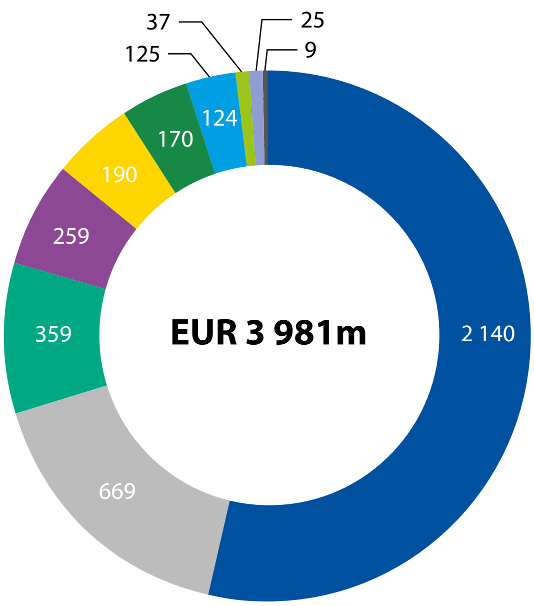
Figure 6

Contribution of new projects to the strategic infrastructure objective by sector

Number of new operations:



Lending volume:



Note: Lending volumes are prorated by degree of contribution to the strategic infrastructure objective.
Many operations also contribute to the cross-cutting climate and regional integration objectives.

and less efficient, purely diesel-based generation (Box 6). The largest energy generation projects are in Turkey: the Fina Enerji wind power project (Box 20) and a credit line to Isbank that will specifically target renewable energy and energy efficiency schemes expected to generate enough energy to serve some 105 000 households. In total, new projects in 2016 will result in energy generated for the equivalent of around 338 000 households.

Energy networks are the main focus of five new projects in 2016. Together it is expected that new projects will install 9 565 km of power lines and connect 1.2 million new customers to electricity networks. One project expected to have impacts on a particularly large scale is the Neoenergia Electricity Distribution 2 project, which will connect 728 000 new households and businesses in the State of Bahia in Brazil, including 68 337 in rural areas under the "Luz para todos" programme. Smaller, though nonetheless important, is the Power Sector Recovery Project on São Tomé island, which will rehabilitate a 2.2 MW hydropower plant and 100 km of power lines to increase power generation and reduce losses, as well as installing 21 000 customer meters to improve the financial sustainability of the system. Finally, the Bank is also financing the Ungheni-Chisinau Gas Pipeline, which will connect gas consumers in the Moldovan capital to the gas supply from Romania, helping to diversify and ensure security of supply.

Water, sanitation and solid waste – There were five new water and sanitation projects in 2016, involving EUR 259m in EIB lending, and a further EUR 15m targeting solid waste management. Two projects in the ACP region – in Dakar, Senegal, and Cotonou, Benin – will improve the supply of safe water in the two capital cities, connecting around 218 000 households and benefiting an estimated 5.2 million people in total. Two wastewater treatment projects in Panama and Tunisia will serve a total population of about 1.5 million, as well as contributing to a reduction in pollution of the water of Panama bay and the Mediterranean (Box 8).

The fifth new project in the sector will support a number of water supply, wastewater treatment and solid waste management schemes in the Kyrgyz Republic. Whilst most of these schemes are still to be determined, it is expected that they will include the rehabilitation of landfill sites, to enable nearly half a million people to be served by improved sanitary landfill facilities. Another such framework loan will support schemes to improve solid waste management in Morocco (Box 22).

Telecommunications – Two new projects will extend the coverage of cellular data networks, although in very different contexts. The Rural Telecom Network Expansion project will install solar-powered transmission stations to extend 2G network coverage to as yet unserved areas of Cameroon and the Democratic Republic of Congo (Box 14). In Tunisia, by contrast, the EIB is financing a major roll-out of 3G and 4G networks. The installation of 2 520 3G sites and 1 557 4G sites is expected, benefiting a large proportion of the population, including an expected 1.2 million additional cellular data subscribers.

Health, education and urban development – Three new projects support urban reconstruction or development schemes that will cover a range of different infrastructure sectors. Responding to the terrible earthquake that struck western parts of Ecuador in April 2016, one EUR 159m project will finance the repair and reinstatement of damaged infrastructure such as roads, water and electricity systems, telecommunications and municipal buildings (Box 23). Similarly, EUR 100m will support the repair of infrastructure damaged by recent floods in Tbilisi, the capital of Georgia, as well as the rehabilitation and upgrading of municipal infrastructure in the country. A third project will provide support to local authorities throughout Georgia in upgrading local infrastructure and improving service delivery for local residents.

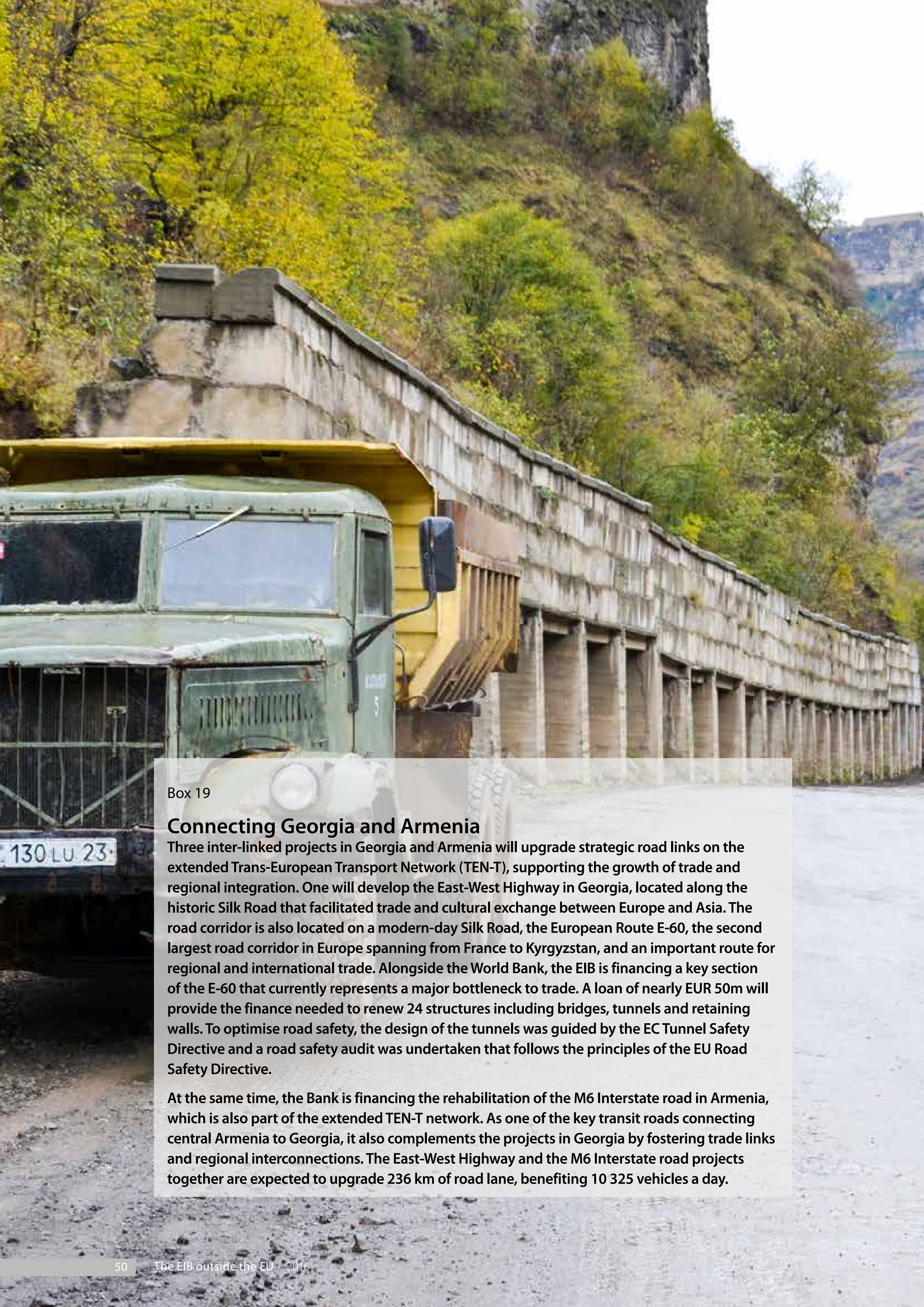
In the education sector, the Technical and Technological Institutes programme will build 13 new technical institutes in different regions of Ecuador, and will also remodel eight existing school campuses to equip them to deliver post-secondary technical training. In Ukraine, a project will focus on renovating higher education facilities, both improving them for students and making significant energy efficiency improvements (Box 7). In the health sector, the Bank is supporting the construction of two new hospitals in Turkey (Box 11).

Table 5

Addressing infrastructure needs – overview of key expected results for new projects in 2016

	Expected outputs		Expected outcomes	
Energy	Generation capacity	375 MW	Annual electricity production	975 GWh
	From renewables	348 MW	Households potentially served	338 000
	New/upgraded substation capacity	1 697 MVA	Annual electricity transported	1 200 GWh
	New/upgraded power lines	9 550 km	New households connected	1.2 million
Transport	Length of road lane built/upgraded	1 050 km	Additional vehicles benefiting, per day	47 000
			Time savings (hours/year)	9.0 million
			Annual vehicle operating cost savings	EUR 6m
	New/upgraded urban transport route (bus/tram/metro)	59 km	Additional passengers benefiting, per day	1.2 million
	New/upgraded urban stations or stops	34	Passenger time savings (hours/year)	42 million
	Vehicles or rolling stock purchased	176	Rail cargo carried (tonnes/year)	22 million
	Railway track built or upgraded	323 km		
	New/upgraded railway stations	12		
Water & sanitation and solid waste	New/upgraded water mains/pipes	1 683 km	Population benefiting from improved water supply	5.2 million
	New/upgraded domestic water connections	218 000		
	New/upgraded wastewater treatment capacity (person-eq.)	1.9 million	Population benefiting from improved sanitation services	1.5 million
	New/upgraded sewer/storm pipes	563 km		
	New sanitary landfill capacity (m^3)	550 000 m^3	Population served by new sanitary landfill	469 000
Telecoms	Pop. covered by new 4G network	7.4 million	Additional cellular data users	2.5 million
	Pop. covered by new 2G network	3.6 million		
Health, education and urban development	Beds in new/rehabilitated hospitals	5 341	Patients treated per year in new or rehabilitated hospitals	150 000
	New places in new or rehabilitated higher education facilities	37 100	Additional students enrolled	37 100
			Pop. benefiting from other new/upgraded urban infrastructure	4.0 million
Agriculture	Area benefiting from irrigation investments	5 250 ha	Population potentially fed	163 200
	Production capacity (tonnes rice/year)	52 000		
	Storage capacity (tonnes)	373 500		

N.B. Totals do not cover operations for which no figures could be estimated at appraisal.



Box 19

Connecting Georgia and Armenia

Three inter-linked projects in Georgia and Armenia will upgrade strategic road links on the extended Trans-European Transport Network (TEN-T), supporting the growth of trade and regional integration. One will develop the East-West Highway in Georgia, located along the historic Silk Road that facilitated trade and cultural exchange between Europe and Asia. The road corridor is also located on a modern-day Silk Road, the European Route E-60, the second largest road corridor in Europe spanning from France to Kyrgyzstan, and an important route for regional and international trade. Alongside the World Bank, the EIB is financing a key section of the E-60 that currently represents a major bottleneck to trade. A loan of nearly EUR 50m will provide the finance needed to renew 24 structures including bridges, tunnels and retaining walls. To optimise road safety, the design of the tunnels was guided by the EC Tunnel Safety Directive and a road safety audit was undertaken that follows the principles of the EU Road Safety Directive.

At the same time, the Bank is financing the rehabilitation of the M6 Interstate road in Armenia, which is also part of the extended TEN-T network. As one of the key transit roads connecting central Armenia to Georgia, it also complements the projects in Georgia by fostering trade links and regional interconnections. The East-West Highway and the M6 Interstate road projects together are expected to upgrade 236 km of road lane, benefiting 10 325 vehicles a day.

Box 20

Expanding wind power capacity in Turkey

Turkey is experiencing rapidly-growing demand for electricity and has excellent renewable resource potential. Renewable energy sources only account for about 25% of total electricity supply, most of which is hydropower. The government has set a target of increasing the contribution of renewables to 30% by 2023. The EIB is contributing to this goal with a EUR 33m loan to Fina Enerji (with an expected extension up to EUR 60m) to construct three wind farms located in different regions of Turkey, with a total capacity of 106 MW. The financing has enabled the project to go ahead more quickly than would otherwise have been possible. With zero estimated absolute emissions, it is expected to achieve an emissions reduction relative to the alternative power generation mix in the country of 148 kt CO_2-eq/year.

Agriculture – Aside from some credit lines which focus on agriculture sector SMEs and midcaps, the EIB is also supporting two larger-scale agriculture projects. The Senegal River Valley Rice project (under the local private sector development objective) will construct irrigation systems for some 5 250 hectares, aiming to produce enough rice to feed 163 000 people (Box 5). A project in Ukraine is focused on upgrading possibilities for the storage and transport of grain and oil seeds. This will include the building of storage elevators at river terminals on the Dnipro river, the renovation of a shipyard, and the construction of vessels for river transportation of agricultural produce. By encouraging a modal shift from road to river transportation, the project will support climate change mitigation, and by improving the capacity to cope with climate variability it will also contribute to adaptation to climate change.

Box 21

A major upgrade of electricity distribution in Senegal

A new EUR 75m EIB loan will support a EUR 159m programme of the national electricity provider (SENELEC) to improve access to electricity in Senegal. In particular the programme comprises the densification and extension of the electricity network by installing 1 779 km of distribution lines, modernisation of crucial electricity distribution equipment and facilities, and installation of 480 000 pre-paid meters in several locations including Dakar, Vélingara and Dabo. The programme also comprises the interconnection of several currently isolated networks as well as a rural electrification component in the Casamance region to electrify 150 villages.

It is expected to improve the reliability of supply, reducing power outages considerably from about 98 hours a year to 13 hours. It is estimated that the programme will make it possible to connect some 149 000 new users. 5 500 new connections will be achieved under a specific rural electrification programme financed via an EU Africa Investment Facility grant. Under the EU's 2014-20 national indicative programme for Senegal, rural electrification has been identified as an essential factor to foster development and job creation, including agricultural development and food security, in turn helping to address some of the causes of migration flows. The project is expected to result in absolute GHG emissions of 46 kt CO_2-eq/year, with a reduction in emissions of 35 kt CO_2-eq/year relative to a scenario without the project.

Box 22

Towards a greener solid waste sector in Morocco

The EIB and the Dutch development bank FMO are co-financing a programme of solid waste sector investments by private promoters in Morocco, via the Banque Marocaine du Commerce Extérieur (BMCE). The programme responds to needs caused by increasing urbanisation following the economic development of the last few decades. This has increased the need for appropriate and efficient solid waste services, particularly in urban areas. The projects to be selected under the programme have to fulfil agreed criteria and will be subject to ex ante appraisal before the allocation of financing. The projects may concern upgrades and extensions of existing sanitary landfills, including landfill gas recovery, and infrastructure for the separate collection and treatment of recyclable waste, bio-waste, and non-hazardous special waste streams.

The programme is expected to contribute to the implementation of the National Waste Management Strategy 2008-2022 and the National Strategy for Sustainable Development. The projects are expected to have a positive impact on public health and the environment by improving waste disposal standards and increasing the recycling of waste in Morocco. Some of the projects will contribute to climate change mitigation by reducing greenhouse gas emissions from landfills, and others will contribute to the transition to a circular economy in Morocco by increasing the recycling of waste. The FMO and EIB will also actively support the intermediary bank BMCE in identifying and screening projects, something that will enable knowledge transfer and demonstrate good solid waste practices.

Direct employment impact – In total, new infrastructure projects in 2016 are expected to create 230 600 person-years of temporary employment during construction phases. The operation of the completed infrastructure is expected to create the equivalent of 10 500 full-time jobs. The temporary employment effect is largest in the transport and water sectors. The largest numbers of permanent jobs associated with completed infrastructure are in the education and urban development sectors, which reflects the numbers of staff that will use new and renovated facilities for education and other public services. Among the other sectors, transport has the most notable direct permanent employment impact.

Table 6

Infrastructure projects – direct employment impact for new projects in 2016

	Employment during construction (person-years)	Employment during operation (full-time equivalent)
Transport	99 185	1 630
Water and sanitation	45 650	176
Energy	24 458	127
Urban development	18 400	700
Education	16 400	5 670
Health	11 240	0
Waste management	10 500	40
Agriculture	2 829	294
Telecommunications	1 942	820
Total	**230 604**	**10 457**

N.B. Totals do not cover operations for which no figures could be estimated at appraisal.

Box 23

Rebuilding after the earthquake in Ecuador

On 16 April 2016, an earthquake struck that ravaged large parts of western Ecuador. Widespread damage was caused across Manabi province, with buildings and infrastructure collapsing. Almost 700 people died, more than 6 000 were injured and over 100 000 were displaced. Livelihoods in these areas were severely affected, with businesses having to close or temporarily lay off workers. The tourism industry was also hit hard as many hotels collapsed or were severely damaged.

Funds available for early reconstruction are very limited in Ecuador due to the country's economic problems. The EIB responded to the Ecuadorean government's call for support with a EUR 162m loan (actually provided in USD) that will cover 100% of the cost of eligible sub-projects. These will reconstruct or upgrade basic infrastructure such as water and sewerage systems, roads and social and administrative facilities, bringing benefits to an estimated 1.5 million people in the project areas. A grant from the EU Latin America Investment Facility will be blended with the EIB loan to finance technical assistance to improve governance and develop the institutional and technical capacities of the local authorities with regard to the design, procurement, implementation and monitoring of the projects. Throughout there will be close co-operation with other key donors such as the WB, IDB and the UN.

Looking back: Results of completed ReM Framework operations

In 2016, 12 projects outside the EU that were originally appraised under the ReM Framework reached completion, allowing for more comprehensive monitoring of the results achieved.

Box 24

Completed project –
South Africa's first concentrated solar power plant

With 360 000 parabolic trough mirrors and 2.5 hours of storage capacity, the 100 MW Ka Xu CSP power plant is the largest in the Southern Hemisphere. It is already helping to address the rapidly growing need for more clean energy in a country suffering from aging coal-fired power stations and with a commitment to reduce carbon emissions. With production being ramped up since early 2015, the plant had reached 100% of the eventual expected output by the end of 2016, and will provide enough output to power at least 75 000 households. Working through local banks, the EIB was able to provide not only long-term financial resources, but also local currency financing to reduce the risks for the project.

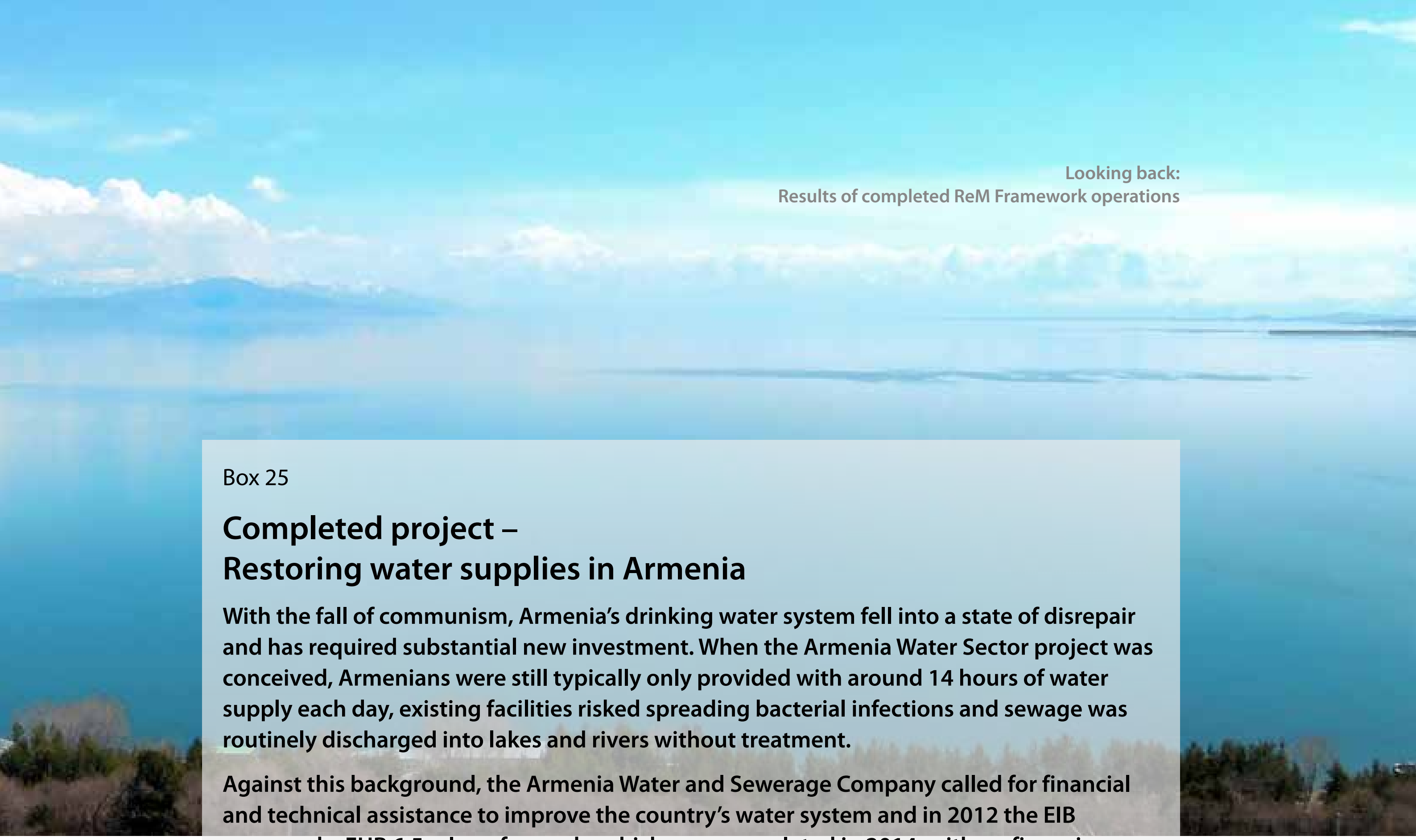
These included seven credit lines for SMEs and midcaps, three infrastructure projects and two industry/R&D projects. The results of the ReM Project Completion Reviews for these operations are presented here.

Completed credit lines – The completed (fully allocated) credit lines include four in Turkey, one in Azerbaijan, one in Brazil and one covering eastern and southern Africa. In total, EUR 805m was lent through 1 017 loans that went predominantly to small and medium-sized enterprises. In total, these loans thereby supported companies employing 138 400 people. 59% of these jobs were actually in midcaps, which usually receive larger loans and where each loan supports a larger number of employees (Table 7). The average tenor of the loans provided to final beneficiaries (weighted by loan size) was 5.1 years.

This is considerably higher than these companies are typically able to obtain on local markets. It is longer than the average tenor reported for completed credit lines last year, but this reflects the fact that most credit lines completed this year are in emerging economies with relatively developed financial sectors, and that the operation in the African region was relatively focused on medium-sized and midcap companies. These aggregate results are largely in line with expectations. The total number of jobs sustained that was expected at appraisal was 156 000, an 11% difference. In terms of the targeting of different sizes of firms, for one of the operations in particular there was a tendency to over-estimate lending to smaller firms. Average tenor duration was slightly underestimated at appraisal in many cases. This kind of data from actual loan allocations can be used to inform future result estimates at appraisal.

Completed infrastructure and industry projects – The three infrastructure projects completed under the ReM Framework include the Ka Xu concentrated solar power project in South Africa (Box 24) and the CA CCFL II solar photovoltaic project in Honduras. The latter has successfully installed 81 MW of capacity, so far producing 145 GWh of electricity per year at a considerably lower cost than the alternative of diesel-powered generation. The Armenia Water sector project focused on the repair of essential water and sewage treatment systems in small towns around the country (Box 25).

Two other projects which fall under the scope of the ReM Framework were completed in 2016. One is an upgrade to the plastic production facilities of Petkim, a chemical industry firm in Turkey, which has supported local private sector development and jobs, including by increasing the domestic supply of inputs to local downstream manufacturing industries. In line with the Pre-Accession Facility for Turkey, the other project also focused on local private sector development, enabling Arcelik to carry out research and development on more energy efficient home appliances based on advanced materials and innovative technologies equipped with smart connectivity features.



Box 25

Completed project – Restoring water supplies in Armenia

With the fall of communism, Armenia's drinking water system fell into a state of disrepair and has required substantial new investment. When the Armenia Water Sector project was conceived, Armenians were still typically only provided with around 14 hours of water supply each day, existing facilities risked spreading bacterial infections and sewage was routinely discharged into lakes and rivers without treatment.

Against this background, the Armenia Water and Sewerage Company called for financial and technical assistance to improve the country's water system and in 2012 the EIB approved a EUR 6.5m loan for works which were completed in 2014, with co-financing from the Neighbourhood Investment Facility and the EBRD. The programme of works covered the rehabilitation and upgrading of the water supply, sewerage and wastewater treatment facilities in 17 small towns around the country. This included the rehabilitation of the water distribution network, namely the replacement of old pipes and installation of new pumping mains and distribution pipes; the protection of spring sources with the creation of sanitary zones, rehabilitation and construction of boreholes, wells, pumping stations, reservoirs and chlorination facilities; and the construction of new wastewater treatment plants and rehabilitation of existing sewers in the towns of Dilijan and Jermuk.

Table 7

Ex post results for seven completed credit lines

Results achieved	All SMEs	Micro	Small	Medium	Midcaps	All
Total loans (EUR m)	528	71	149	307	277	805
Total loans #	883	141	340	403	134	1 017
Average loan size (EUR '000s)	598	506	440	762	2 069	2 666
Average investment cost (EUR '000s)	1 182	469	687	1 712	16 916	18 099
Average loan tenor (years)	4.7	6.1	4.3	4.5	5.7	5.4
Jobs sustained	56 611	483	8 887	47 241	81 784	138 395

Annexes

Annex 1:

Mainstreaming climate action

The ReM portfolio carbon footprint

The EIB Carbon Footprint Exercise (CFE) estimates and reports Greenhouse Gas (GHG) emissions from projects (not only climate action projects) where, in one standard year of operations:

- absolute emissions (actual emissions from the project) exceed 100 000t CO_2-eq/year; and/or
- relative emissions (estimated emissions increases or avoidance compared to the expected alternative) exceed 20 000 t CO_2-eq/year.

Absolute emissions refer to the direct emissions of the project itself (Scope 1 emissions) plus emissions from generation of the power supply used by the project (Scope 2 emissions). Scope 3 emissions (other indirect emissions) are not normally included in project data; however, they are included for physical infrastructure links such as roads, railways and metros. Relative emissions are estimated by comparing the absolute emissions with the emissions from a baseline identified as the expected alternative.

Whilst relative emissions are important for comparing technologies and projects, at the heart of the EIB's footprinting approach are the absolute emissions from each project, as these are what will ultimately affect our climate. Individual project GHG data is assessed at appraisal, and reported on the Bank's Environmental and Social Data Sheets (ESDS). For the purposes of aggregated annual reporting, project emissions are prorated to the volume of EIB financing of each project that year, thus avoiding possible double counting with the reporting of other IFIs.

In 2016, 19 of the projects outside the EU (including contracts signed and large allocations approved during the year) were included in the 2016 Carbon Footprint Exercise. They represent total EIB signatures or allocation approvals of EUR 1.1bn. The related total absolute GHG emissions and sequestered GHGs are estimated at -0.1 Mt CO_2-eq/year (derived from total emissions of 0.2 Mt CO_2-eq/year and sequestration of 0.3 Mt CO_2-eq/year by forestry projects). The related reduction in emissions due to the 2016 financing of the projects included in the analysis is estimated at 0.6 Mt CO_2-eq/year (all climate action data and GHG figures are subject to the EIB's 2017 Sustainability Audit).

Climate risk screening

The EIB's Climate Strategy emphasises the promotion of climate risk management approaches to increase the resilience of assets, communities and ecosystems related to EIB projects. The EIB is continuing to develop a Climate Risk Management System across the EIB and across sectors and regions to identify and address project vulnerabilities. This will enable the EIB to identify priorities and support adaptation actions in its financing, as well as to reduce climate-related financial risks.

In the meantime, the Bank is manually screening all new operations (at pre-appraisal stage) under the ELM and ACP mandates. A full climate risk assessment is carried out for projects where the climate change risk is considered medium or high, where appraisal is expected within six months and where no assessment has been carried out by another institution.

In 2016 181 projects under the ELM and ACP mandates were at pre-appraisal stage. Of these, 60 were considered medium to high-risk, requiring a climate risk assessment by the promoter, other IFI or EIB.

Annex 2:

2016 aggregate lending volumes

The new projects covered by this report are those for which the first financing contract was signed in 2016. For each of these projects, the full approved financing volume is reported. This covers both the amount "signed" in 2015 and any approved balance planned to be signed under future contracts. Likewise, for each new project, the full total investment cost and the full expected results are reported.

To avoid double counting of project results, follow-up contracts signed under projects that have already been reported in previous reports (because earlier financing contracts were signed under them in previous years) are not reported here. However, for the sake of transparency, a breakdown of 2016 lending volumes, including the volume of such follow-up contracts, is given in Table 8. A full list of projects, including follow-up signatures, is given in Annex 5.

This methodology is different from that used in the reports before 2014. For this reason lending volumes and project counts may not always be strictly comparable.

Table 8

2016 lending volumes (EUR m)

	New projects (first signed in 2016)				Older projects (first signed before 2016)	Total contracts signed in 2016
	Total project cost	Financing approved	Contracts signed in 2016	Volume to be signed	Contracts signed in 2016	All
ACP countries	2 283	762	761	3	4	765
Asia and Latin America	3 041	1 188	943	250	41	984
Eastern Neighbours	4 244	2 026	1 616	413	1	1 616
Mediterranean Partners	2 836	1 396	1 336	69	249	1 585
Pre-accession	6 844	2 674	1 933	746	722	2 655
Access to finance	-	4 064	3 191	885	554	3 745
Strategic infrastructure	-	3 981	3 398	594	462	3 860
Climate action	-	1 922	1 603	324	367	1 970
Regional integration	-	1 622	1 386	240	501	1 886
Total	19 249	8 046	6 589	1 479	1 016	7 605

Note: Republic of South Africa is included under ACP. Central Asia is included under Asia and Latin America.

Annex 3:
How we measure results

Outside the EU, we use the Results Measurement (ReM) Framework to track project results, the contribution to EU and country objectives and the difference that EIB involvement makes relative to what local markets are able to offer. This strengthens the appraisal process, supports monitoring throughout the project cycle and complements the EIB's due diligence process.

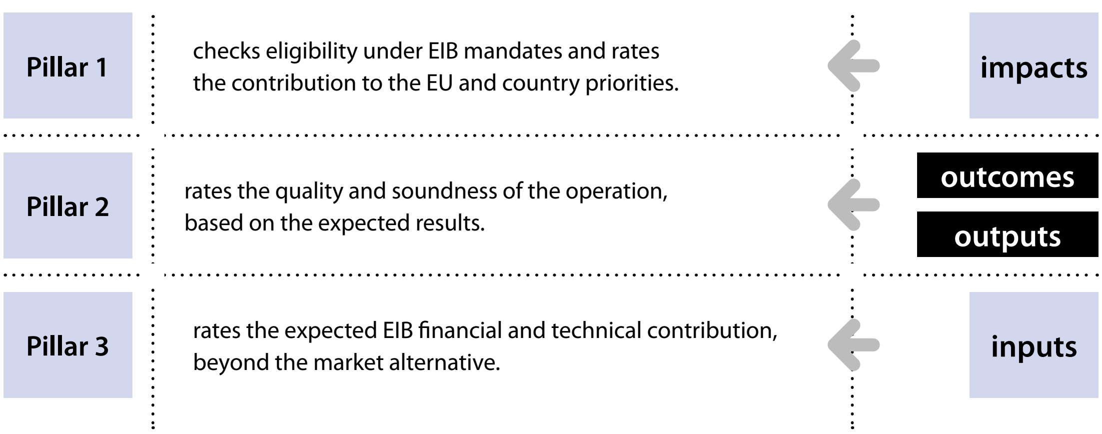
At the beginning of the project cycle, appropriate indicators are identified for each project. Baselines and expected values are set to capture economic, social and environmental outcomes of the operation. Projects are then rated according to three "pillars" covering the achievement of the policy objectives, the quality and soundness of the operation and expected results, and the contribution of the EIB (Figure 7). The EIB works continuously with other development agencies and financial institutions to further improve the coordination and harmonisation of the results indicators we use.

Project performance against the estimates provided is monitored at different stages of a project's life. For direct investments (typically infrastructure projects), results are monitored at project completion and again three years after completion. For intermediated operations results are monitored at the end of the allocation period (in the case of credit lines) or at the end of the investment period (equity funds). Equity fund results are monitored again at the end of life of the fund. An enhanced "ReM+" Framework is used for projects financed under our Impact Financing Envelope.

Since the ReM Framework was launched in 2012, around 450 projects have gone through ReM assessment at appraisal. Financial sector projects and some infrastructure projects approved under the framework are now increasingly reaching completion and these completed project results are also reported here (in the "Looking back" section).

Figure 7

ReM Framework



Annex 4:
ReM Framework ratings

Under the ReM Framework, projects are rated at the time of Board approval according to three pillars:

- **Pillar 1** checks eligibility under EIB mandates and rates the contribution to the EU and country priorities.

- **Pillar 2** rates the quality and soundness of the operation, based on the expected results.

- **Pillar 3** rates expected the EIB financial and non-financial contribution, beyond the market alternative.

Ratings are based on a series of objectively measureable indicators and guidelines, while a process of quality control ensures that all ratings are checked for consistency across operations.

Pillar 1: In 2016, all new projects were rated at least "good" under Pillar 1, signifying that they are in line with mandate objectives and make a high contribution to either national development objectives or those of the EU, and a moderate contribution to the other. Just over half were rated "excellent" for making a high contribution to both EU priorities and national development objectives.

Pillar 2: The Pillar 2 rating is based on project soundness, financial and economic sustainability and environmental and social sustainability in the case of directly financed projects. For intermediated operations, the rating is based on the expected results, weighted by risk considerations as measured by the soundness of the intermediary and the quality of the operating environment.

Figure 8

ReM ratings by pillar

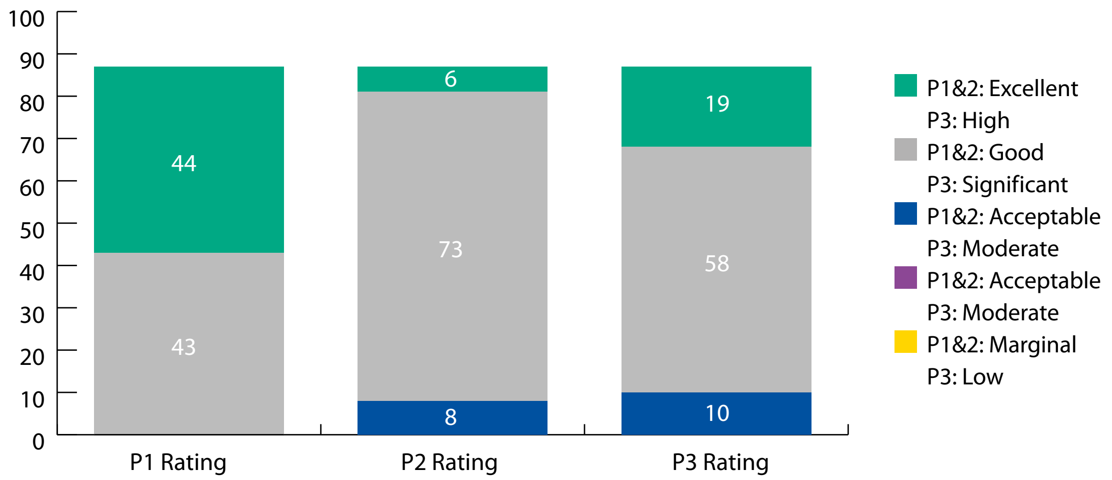
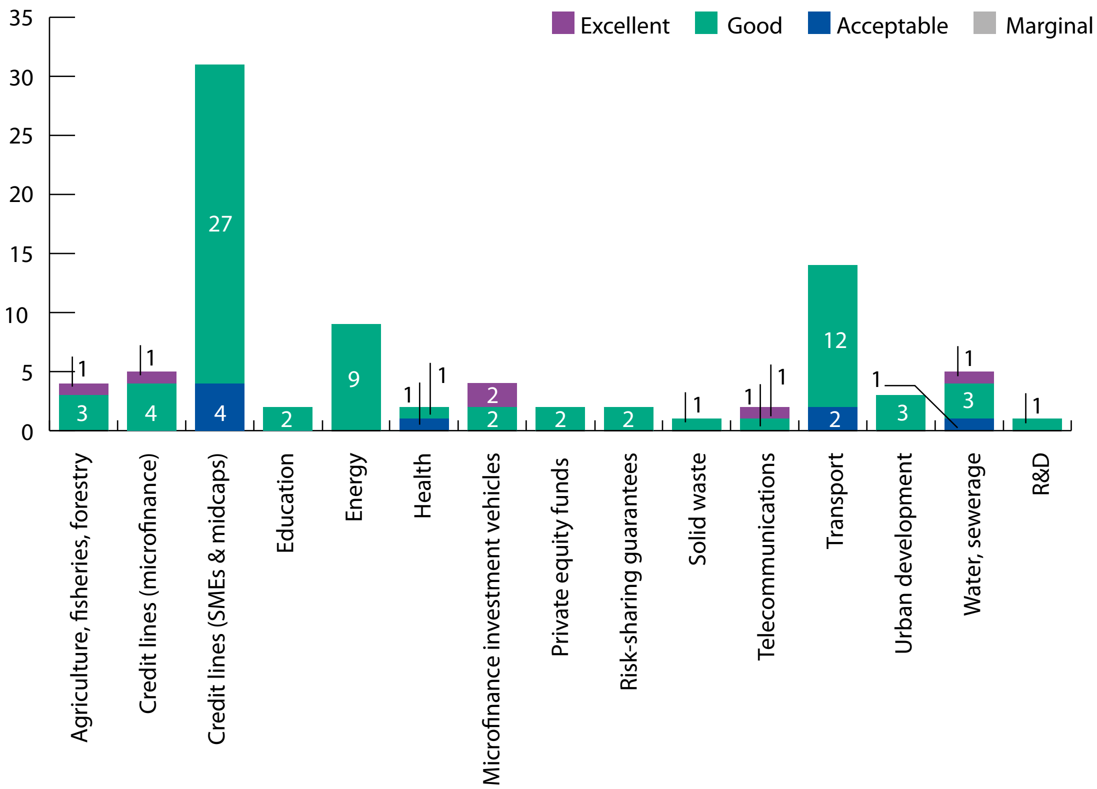


Figure 9

Pillar 2 ratings by sector



With reference to the overall Pillar 2 rating, 73 projects were rated "good", with an average economic rate of return (ERR) of 10% to 15% in the case of infrastructure projects. Six projects were rated "excellent". These notably include some microfinance operations and others funded through the ACP Impact Financing Envelope. Another eight projects across all sectors received an "acceptable" rating, often because of high-risk environments that impact on the probability of achieving planned results. As was the case last year, projects in Ukraine feature prominently in this category.

Environmental and social impacts are also assessed under Pillar 2, for infrastructure and industrial private sector projects (typically excluding framework loans for smaller projects where the exact eventual projects are not specified at appraisal). The rating is based on both the nature of the impacts and the magnitude of risks. This thus includes an underlying assessment of the robustness of arrangements to mitigate risks. Projects are rated on a scale of:

1. Marginal: Not acceptable, for environmental and/or social reasons – not suitable for EIB financing.

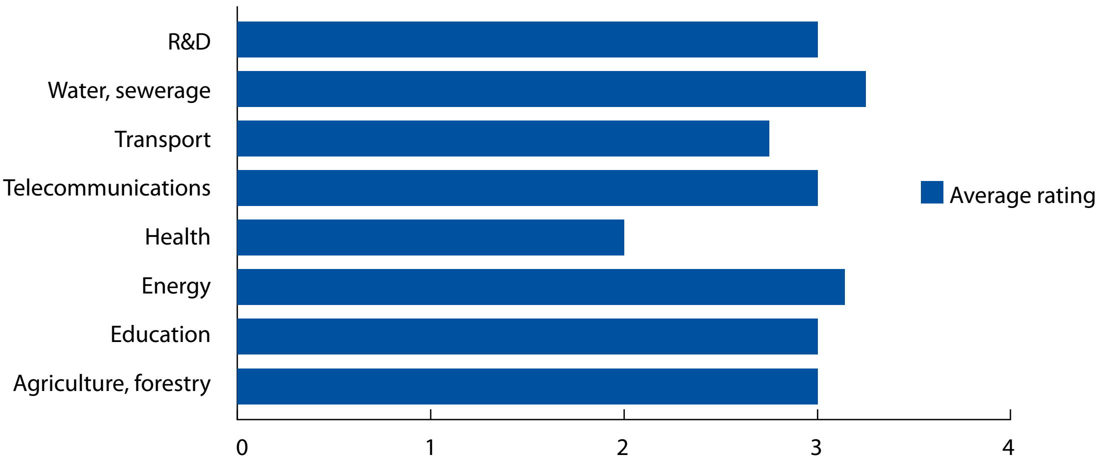
2. Acceptable: Acceptable with major negative residual environmental and/or social impacts.

3. Good: Acceptable with minor negative residual environmental and/or social impacts.

4. Excellent: Acceptable with positive or neutral residual environmental and/or social impacts.

Figure 10

Average environmental and social ratings by sector



Ratings for the assessed projects outside the EU ranged from "2" (five projects) to "4" (two projects). Sector average ratings were similar across most sectors at around 3. The two hospital projects are notable for having only a "2 – Acceptable" rating linked to the fact that construction is taking place on greenfield sites.

Pillar 3 ratings are presented in the chapter on EIB contributions.

Annex 5:

List of projects signed in 2016

Project	Region	Sector	Approved amount*	Signed in 2015*	Project cost*	Mandate contribution (%)			
						PS	Inf	CC**	RI
Adenia Capital IV	ACP	Equity fund	20	20	200	100			100
AEP Ouagadougou III	ACP	Water, sewerage	37	4	164		100		
AFIG Fund II	ACP	Equity fund	18	18	263	100			100
Apex Loan for SMEs and Other Projects III	PA	Credit lines	500	150	1 000	100	100	2	100
Akbank Loan for SMEs and Midcaps III	PA	Credit lines	200	195	400	100		2	
Aklease Loan for SMEs and Midcaps	PA	Credit lines	100	60	200	100		2	100
Armenia Apex II Loan for SMEs and Midcaps	EAST	Credit lines	50	51	100	100		14	
Armenia M6 Interstate Road	EAST	Transport	51	51	102		100		100
Banque de Tunisie – Loan for SMEs	MED	Credit lines	100	50	200	100		2	
Banque SOCREDO Microfinance	ACP	Microfinance	8	8	17	100			
BMCE Ligne Verte	MED	Solid waste	20	10	40		100	40	
BMCE Loan for SMEs and Midcaps	MED	Credit lines	150	150	300	100		2	
Border Crossing and Infrastructure	EAST	Transport	31	1	62		100		100
Cairo Metro Line 2 Rolling Stock	MED	Transport	75	75	187		100	100	
Cairo Metro Line 3 (Phase 3)	MED	Transport	600	200	2 418		100	100	
Caribbean and Pacific Impact Financing Facility (Banfondesa)	ACP	Microfinance	10	10	20	100		2	
Caribbean and Pacific Impact Financing Facility (DBJ)	ACP	Microfinance	5	5	15	100		2	
CDEEE Loss Reduction Project	ACP	Energy	90	89	206		100		
Corridor X Road Project	PA	Transport	130	35	300				
DAMU Green Loan for SMEs – A	ALA	Credit lines	50	50	100	100		50	
DAMU Green Loan for SMEs – B	ALA	Credit lines	150	150	300	100		50	
DEPOLMED	MED	Water, sewerage	70	70	140		100	20	
Développement Reseau Peri-urbain Antananarivo	ACP	Transport	28	28	63		100	10	

Project	Region	Sector	Approved amount*	Signed in 2015*	Project cost*	Mandate contribution (%)			
						PS	Inf	CC**	RI
DFC MBIL	ACP	Credit lines	8	8	16	100		2	
EAC Microfinance Facility II (Family Bank)	ACP	Microfinance	10	10	20	100		2	
East and Central Africa PEFF (Exim Bank)	ACP	Credit lines	15	15	30	100		2	
East and Central Africa PEFF (KCB Bank)	ACP	Credit lines	7	7	14	100		2	
East and Central Africa PEFF II for SMEs and Midcaps (Bank of Kigali)	ACP	Credit lines	28	28	56	100		2	
East and Central Africa PEFF II for SMEs and Midcaps (KCB Bank)	ACP	Credit lines	10	10	20	100		2	
East and Central Africa PEFF II for SMEs and Midcaps (KCB Bank)	ACP	Credit lines	12	12	24	100		2	
East and Central Africa PEFF II for SMEs and Midcaps (HFC)	ACP	Credit lines	20	20	40	100		2	
Eau et Assainissement Cotonou Phase 3	ACP	Water, sewerage	30	30	75		100	10	
EBE SMEs and Midcaps Loan	MED	Credit lines	27	28	54	100		2	
Egypt Private Sector Support	MED	Credit lines	500	500	1 000	100		2	
Etlik Hospital	PA	Health	50	50	1 100		100		
Eximbank Loan for SMEs and Midcaps III	PA	Credit lines	200	200	400	100		2	100
FEMIP Sustainable Energy Facility	MED	Credit lines	35	215	138	100		100	100
Fina Enerji Wind Power Plants	PA	Energy	60	33	131		100	100	
Finans Leasing Loan for SMEs and Midcaps	PA	Credit lines	100	100	200	100		2	100
Gaziantep health campus	PA	Health	120	120	589		100		
GCT Mise à Niveau Environnementale	MED	Industry	74	19	150			2	
Georgia East-West Highway II	EAST	Transport	49	49	176		100		100
Georgia Transport Connectivity	EAST	Transport	500	250	1 000		100		
Georgia Upgrade of Municipal Infrastructure	EAST	Urban development	100	100	200		100		
Georgia Urban Reconstruction and Development FL	EAST	Urban development	100	100	150		100		
Georgian Agri-food Value Chains	EAST	Credit lines	100	100	200	75	25	60	100
Ghana Financial Sector Loan III (Fidelity Bank)	ACP	Credit lines	15	15	30	100		2	
Halkbank Loan IV for SMEs and Midcaps	PA	Credit lines	300	100	600	100		2	
ICL RDI	MED	R&D	89	92	178	100			100

Project	Region	Sector	Approved amount*	Signed in 2015*	Project cost*	Mandate contribution (%)			
						PS	Inf	CC**	RI
IDF Loan for SMEs and Priority Projects II	PA	Credit lines	70	30	140	70	30	2	
ING Bank Turkey SMEs and Midcaps Loan III	PA	Credit lines	300	200	600	100		2	100
Isbank Climate Change Facility II	PA	Energy	150	150	300	30	70	70	
ISP Loan for SMEs & Priority Projects III	PA	Credit lines	50	25	100	100		2	
Istanbul Underground Rail Network II	PA	Transport	250	250	625		100	100	
JSC Bank Republic Loan for SMEs and Midcaps	EAST	Credit lines	45	23	90	100		2	
KMS 3 – Approvisionnement en Eau de Dakar	ACP	Water, sewerage	100	100	401		100		
Ligne de Credit BOA Burkina Faso et Niger	ACP	Credit lines	8	8	16	100		2	
Lucknow Metro Rail Project	ALA	Transport	450	200	914		100	100	
Luxembourg Microfinance and Development Fund	ACP	Microfinance	5	5	25	100			
Maldives Sustainable Energy Development	ALA	Energy	45	45	175	30	70	70	
Metro de Quito	ALA	Transport	240	41	1 361		100	100	
Microcred IV	ACP	Microfinance	4	4	24	100			
Moldova Rail Infrastructure and Rolling Stock FL	EAST	Transport	50	50	120		100	100	100
Montenegro Water and Sanitation	PA	Water, sewerage	57	26	114		100		
National Bank of Malawi Agri-storage Facility	ACP	Credit lines	30	30	60	100		2	
Neoenergia Electricity Distribution II	ALA	Energy	200	200	984		100		
Nibulon (Cereal Production and Transportation)	EAST	Agriculture, forestry	40	41	81	70	30	93	
		Transport	29	30	59				
Nigeria Private Enterprise Finance Facility (UBA)	ACP	Credit lines	60	60	120	100		2	
ODEA Bank Loan for SMEs and Midcaps	PA	Credit lines	100	100	200	100		2	100
Pamiga Water & Renewable Energy Through Microfinance	ACP	Energy	1	1	4	100		30	
		Microfinance	2	2	5				
		Water, sewerage	1	1	3				

Project	Region	Sector	Approved amount*	Signed in 2015*	Project cost*	Mandate contribution (%)			
						PS	Inf	CC**	RI
Panama City and Bay Wastewater Treatment Project	ALA	Water, sewerage	44	46	138		100	25	
Petlim Port	PA	Transport	114	70	235		100	51	
Pont De Bizerte	MED	Transport	123	123	247		100		
Post Disaster Infrastructure Reconstruction	ACP	Transport	40	40	40		100		
Post-Earthquake Reconstruction FL	ALA	Urban development	159	162	159		100		
Power Sector Recovery Project São Tomé Island	ACP	Energy	12	12	26		100	45	
Procredit Loan for SMEs and Other COP Objectives	PA	Credit lines	100	120	340	100		2	100
QNB Egypt Loan for SMEs	MED	Credit lines	88	92	176	100		2	
RBBH Loan for SMEs & Priority Projects	PA	Credit lines	30	30	60	70	30	2	100
REGMIFA II	ACP	Microfinance	9	9	36	100			
Road Modernisation Federation BIH	PA	Transport	50	50	103		100		
RS Hospitals	PA	Health	143	15	286				
RST Ecobank Group Portfolio Guarantee	ACP	Guarantees	25	24	95	100			100
RST Société Générale (CDI) Portfolio Guarantee	ACP	Guarantees	9	8	33	100			
Rural Telecom Network Expansion	ACP	Telecommunications	24	25	58		100	95	
Senegal Electricity Modernisation	ACP	Energy	75	75	159		100		
Senegal River Valley Rice	ACP	Agriculture, forestry	16	16	54	100		50	
SGRS Loan for SMEs and Other Priorities III	PA	Credit lines	100	20	200	70	30	2	
Southern Africa Microfinance Facility (Trustco)	ACP	Microfinance	8	8	15	100		2	
STEG V Transport Électricité	MED	Energy	55	47	110		100		
Technical and Technological Institutes Programme	ALA	Education	70	70	191		100		
TSKB Energy and Environment Loan	PA	Energy	170	85	340		100	85	
		Water, sewerage	30	15	60				
TSKB Loan III for SMEs, Midcaps and Innovation	PA	Credit lines	200	100	400	100		2	100
Tunisie Telecom 4G Rollout	MED	Telecommunications	100	100	205		100		

Project	Region	Sector	Approved amount*	Signed in 2015*	Project cost*	Mandate contribution (%)			
						PS	Inf	CC**	RI
Ukraine DCFTA Support Facility	EAST	Credit lines	400	260	1 000	100		2	
Ukraine Higher Education	EAST	Education	120	120	160		100	93	
Ukraine Railway Modernization	EAST	Transport	150	150	314		100	100	100
Ukraine Urban Public Transport FL	EAST	Transport	200	200	400		100	100	
Ungheni-Chisinau Gas Pipeline	EAST	Energy	41	41	92		100		100
Upgrading of Judiciary Buildings	PA	Services	41	26	84				
Vakifbank Additional Loan for SMEs	PA	Credit lines	200	100	400	100	100	2	100
Vakifbank Loan III for SMEs and Midcaps	PA	Credit lines	300	100	600	100		2	
Water Supply Sewerage and Solid Waste	ALA	Solid waste	5	5	20		100	23	
		Water, sewerage	15	15	60				
Ziraatbank Loan for SMEs and Midcaps II	PA	Credit lines	200	100	400	100		2	100
Ziraatbank Loan for SMEs and Midcaps III	PA	Credit lines	200	100	400	100		2	100

* EUR m. Amounts for operations denominated in a currency other than EUR are converted on the basis of the exchange rate applicable at the time of approval (approved amount, project cost) or signature (signed amount).

** The 2% applied to standard credit lines signed in 2016 was applied globally and was based on an ex post analysis of earlier credit lines, namely of the activities financed at allocation level (financial intermediary's on-lending to final beneficiaries) under similar non-dedicated credit lines in 2012-2014.

Mandate contribution		Region	
PS	Local private sector development	ACP	African, Caribbean and Pacific countries + OCT
Inf	Social and economic infrastructure	ALA	Asia, Central Asia and Latin America
CC	Climate change mitigation and adaptation	EAST	Eastern Neighbours
RI	Regional integration	MED	Mediterranean partnership countries
		PA	Pre-Accession countries

Operations for which a contract was signed in a previous year (results reported in a previous year)


SPORT

Annex 6:

Tables, figures and boxes

Figures

Tables

Boxes

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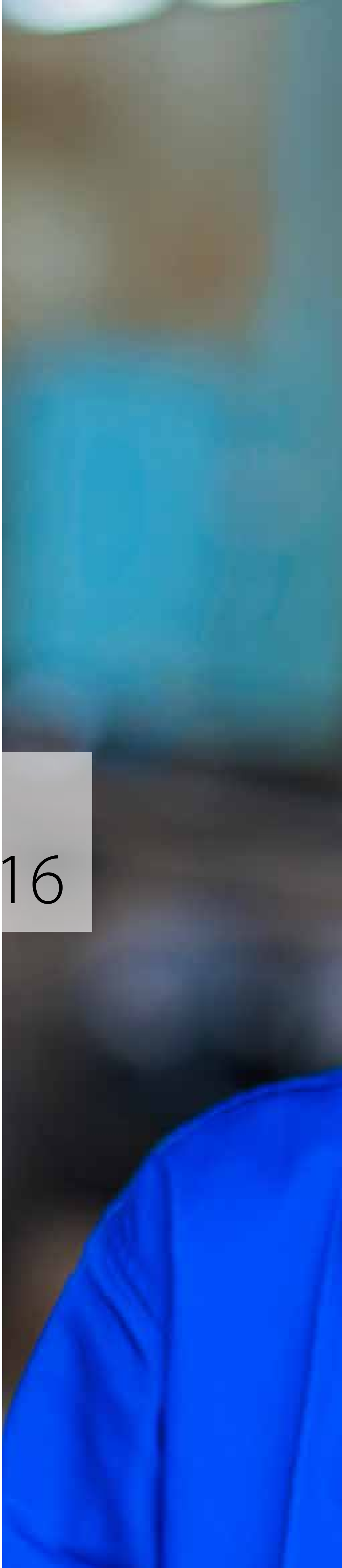

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