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**REPORT FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT AND  
THE COUNCIL**

**ON 2012 EIB EXTERNAL ACTIVITY WITH EU BUDGETARY GUARANTEE**

{SWD(2013) 484 final}

# REPORT FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT AND THE COUNCIL

## ON 2012 EIB EXTERNAL ACTIVITY WITH EU BUDGETARY GUARANTEE

### 1. INTRODUCTION

Decision 1080/2011/EU of the European Parliament and of the Council of 25 October 2011 granting an EU guarantee to the European Investment Bank (EIB) against losses under loans and loan guarantees for projects outside the Union<sup>1</sup> (the “Decision” or the “EU guarantee”) requires the Commission to report annually on EIB financing operations carried out under the EU guarantee, building on yearly reports provided by EIB.

The present report also provides a summary of the own risk operations carried out by the EIB in 2012 in the regions covered by the Decision. Following the first full year of implementation of the new EIB REsults Measurement (REM) framework, this report provides more detailed information on expected results based on EIB financing operations approved in 2012. The EIB operations in Africa, Caribbean and Pacific (ACP) as well as in Overseas Countries and Territories (OCT) are covered in a separate annual report.

More detailed information and statistical tables on the above activities, including at project, sector, country and regional level, are provided in the attached Staff Working Document (the “SWD”)<sup>2</sup>. Actual results achieved based on case studies on operations under implementation or completed are presented in the SWD.

It should be noted that on 23 May 2013, the Commission adopted a legislative proposal for a new Decision of the European Parliament and Council on granting an EU guarantee to the EIB financing operations outside the EU under the next Multi-Annual Financial Framework (MFF), accompanied by an impact assessment<sup>3</sup>.

### 2. KEY RESULTS

The Decision sets an overall General Mandate ceiling to EUR 27,484 mn and an additional EUR 2,000 mn Climate Change Mandate.

Continued weak economic performance in the euro area and other advanced economies contributed to a further slowdown in world output growth in 2012. Within the regions covered by the Decision, the Pre-Accession region was among the worst hit due to its close linkages with the euro area, resulting in declining growth rates in Turkey from 8.5% to 3% and in other Pre-Accession countries from 1.3% in 2011 to -0.2% in 2012. Likewise, the Eastern Neighbourhood countries suffered from their close trading relationships with the euro area, while continued uncertainty associated with the political and economic transition following the Arab Spring continued to weigh on the performance of the Southern Mediterranean countries. Growth declined in Asia and Latin America, mainly driven by a slowdown in Brazil, China and India. South Africa was also negatively affected, and growth declined from 3.5% in 2011 to 2.3% in 2012.

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<sup>1</sup> OJ L 280, 27.10.2011, p.1

<sup>2</sup> SWD(2013)484

<sup>3</sup> COM(2013)293

Despite a challenging business environment, in 2012 the EIB maintained signatures in the regions covered by the Decision at the same level as in 2011 at EUR 6.5 bn. Financing under the EU guarantee increased by around EUR 900 mn to EUR 4.0 bn, while financing at EIB own-risk decreased by around EUR 900 mn to EUR 2.5 bn.

In January 2012, the EIB launched the REM framework, which strengthens the Bank's measurement and reporting on the results and impact of its operations as requested in the Decision. An extensive set of objectively measurable and monitorable indicators have been developed which will guide the assessment throughout the project life cycle. The expected results for all EIB operations approved in 2012 are summarised in the SWD. EIB's full report on results of EIB operations outside the EU has been published on its website<sup>4</sup>.

The revised Decision also emphasised a stronger alignment of EIB external activity and EU external policies, programmes and instruments. Over the year 2012, the EIB continued to cooperate closely with the Commission and the EEAS to strengthen the consistency and coherence of EIB actions with external EU policies. In this context, several new legal requirements of the Decision were implemented, including the Technical Regional Operational Guidelines adopted by both the Commission and the EIB in November 2012<sup>5</sup> and the EIB's Climate Strategy<sup>6</sup> in External Mandate Countries that was provided to the Council and Parliament at the end of the year.

### 3. FINANCING OPERATIONS

#### 3.1. Overview of EIB financing volume in the regions covered by the Decision

The following table provides an overview of the volume of EIB financing in 2012 in the regions covered by the Decision.

Table 1: EIB Financing Operations signed in 2012 in the regions covered by the Decision

| Countries of operation<br>(EUR million) | Operations under mandate |                      |             | EIB own risk operations | Total       |
|---|--------------------------|----------------------|-------------|-------------------------|-------------|
|   | Comprehensive guarantee  | Political risk cover | Total       |                         |             |
| Pre-Accession Countries                 | 821                      | 0                    | 821         | 2285                    | 3106        |
| Mediterranean countries                 | 1466                     | 189                  | 1655        | 11                      | 1665        |
| Eastern Neighb., Russia                 | 534                      | 400                  | 934         | 0                       | 934         |
| Asia and Latin America                  | 350                      | 100                  | 450         | 250                     | 700         |
| South Africa                            | 0                        | 100                  | 100         | 0                       | 100         |
| <b>Total</b>                            | <b>3171</b>              | <b>789</b>           | <b>3960</b> | <b>2546</b>             | <b>6506</b> |

Following the high level of own-risk lending in 2011, the relative proportions of activity under the EU guarantee and at EIB's own-risk re-balanced in favour of those under the guarantee which grew by 30% to reach EUR 3.96 bn or 61% of total 2012 financing in the regions covered by the Decision. The bulk (89.8%) of operations financed at EIB own risk was signed in Pre-Accession.

In 2012, 80.1% of the loans signed under the EU guarantee were covered by a Comprehensive Guarantee, which is used for sovereign and sub-sovereign operations, while 19.9% benefited

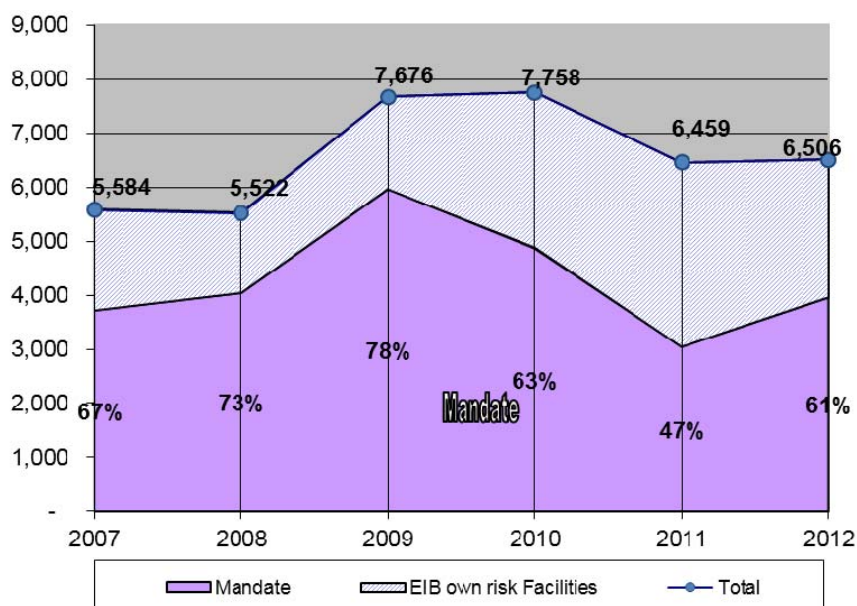
<sup>4</sup> <http://www.eib.org/infocentre/publications/all/eib-rem-annual-report-2012.htm>

<sup>5</sup> SWD(2012) 357 final.

<sup>6</sup> <http://www.eib.org/infocentre/publications/all/eibs-climate-strategy-outside-the-eu.htm>

from the political risk cover for private sector operations with all other risks being borne by the EIB.

Chart 1: Annual evolution of EIB lending volumes in the regions covered by the Decision



At the end of 2012, the overall amount signed under the Decision (less cancellations) stood at EUR 23.1 bn, or 79% of the overall ceiling under the Decision. An overall amount of EUR 6.3 bn was available for new EIB operations under the guarantee. The EIB is expected to reach some of the regional ceilings by the end of 2013, while under others, there may still be headroom. The Decision provides for the possibility of reallocating up to 10% between the regional ceilings.

Table 2: EIB total signatures and disbursements under the Decision (2007-2012)

| EUR mn                             | Ceiling       | Net Signed    | Net signed as % of ceiling | Disbursed     | Net disbursed as % of net signed |
|------------------------------------|---------------|---------------|----------------------------|---------------|----------------------------------|
| Pre-Accession                      | 9 048         | 8 446         | 93%                        | 4 923         | 59%                              |
| Mediterranean                      | 9 700         | 7 861         | 81%                        | 3 263         | 42%                              |
| Eastern Neighbours, Russia         | 3 848         | 2 642         | 69%                        | 551           | 21%                              |
| Asia and Latin America             | 3 952         | 2 871         | 73%                        | 1 825         | 64%                              |
| South Africa                       | 936           | 691           | 74%                        | 520           | 75%                              |
| <b>General Mandate Total</b>       | <b>27 484</b> | <b>22 511</b> | <b>82%</b>                 | <b>11 082</b> | <b>49%</b>                       |
| Climate Change Mandate (2011-2013) | 2 000         | 650           | 33%                        | 150           | 20%                              |
| <b>Total Mandate</b>               | <b>29 484</b> | <b>23 161</b> | <b>79%</b>                 | <b>11 232</b> | <b>48%</b>                       |

In terms of disbursement, which is a tangible indicator of progress in project implementation, 48% of net amounts signed under the Decision (EUR 11.2 bn) had been disbursed at the end of 2012. This level corresponds to an average usual time lag between finance contract signature and disbursement. South Africa was relatively strongest having drawn 75% of net signed amounts, followed by Asia and Latin America (64%) and Pre-Accession (59%). In 2012, disbursements in the Mediterranean accelerated to a record level of EUR 1.5 bn, of which EUR 1.2 bn under the current Decision. Cumulative disbursements remained however below average at 42% of net signatures in Mediterranean. In Eastern Neighbourhood, the slower increase in the pace of disbursements reflects initial delays in project implementation

and administrative delays in recipient countries. Disbursements remained at 21% of net signatures in Eastern Neighbourhood and Russia.

Table 3: Annual lending signatures under the current Decision (2007-2013)

| EUR mn  | 2007<br>(*)  | 2008         | 2009         | 2010         | 2011         | 2012         | Gross<br>Total | Cancel-<br>lations | Net<br>Total  |
|---|--------------|--------------|--------------|--------------|--------------|--------------|----------------|--------------------|---------------|
| Pre-Accession                                 | 389          | 2 009        | 2 859        | 1 535        | 874          | 821          | 8 486          | 40                 | 8 446         |
| Mediterranean                                 | 1 205        | 1 195        | 1 510        | 2 009        | 926          | 1 305        | 8 150          | 288                | 7 861         |
| Eastern Neighbours, Russia                    | 0            | 170          | 233          | 631          | 675          | 934          | 2 642          | 0                  | 2 642         |
| Asia and Latin America                        | 305          | 469          | 1 088        | 643          | 310          | 300          | 3 115          | 244                | 2 871         |
| South Africa                                  | 0            | 203          | 280          | 50           | 115          | 100          | 748            | 56                 | 691           |
| <b>General Mandate Total</b>                  | <b>1 899</b> | <b>4 045</b> | <b>5 969</b> | <b>4 867</b> | <b>2 900</b> | <b>3 460</b> | <b>23 140</b>  | <b>629</b>         | <b>22 511</b> |
| <b>Climate Change Mandate<br/>(2011-2013)</b> |              |              |              |              | <b>150</b>   | <b>500</b>   | <b>650</b>     | <b>--</b>          | <b>650</b>    |
| Pre-Accession                                 |              |              |              |              | 150          | -            | 150            | --                 | 150           |
| Mediterranean                                 |              |              |              |              |              | 350          | 350            | --                 | 350           |
| Eastern Neighbours, Russia                    |              |              |              |              |              | --           | --             | --                 | --            |
| Asia and Latin America                        |              |              |              |              |              | 150          | 150            | --                 | 150           |
| South Africa                                  |              |              |              |              |              | --           | --             | --                 | --            |
| <b>Total Mandate</b>                          | <b>1 899</b> | <b>4 045</b> | <b>5 969</b> | <b>4 867</b> | <b>3 050</b> | <b>3 960</b> | <b>23 790</b>  | <b>--</b>          | <b>23 161</b> |

(\*) Until 31<sup>st</sup> July 2007, lending was also carried out under the previous 2000-2007 Decision.

In terms of number of projects, 39 projects were financed under the Decision in 2012 compared to 29 in 2011.

As shown in the table 1, the Pre-Accession countries remained the main beneficiary region of EIB financing outside the EU in 2012 with EUR 3.1 bn signed, representing 48% of total financing in the regions concerned. EIB prioritised credit lines to SMEs (55% of signatures) and trans-European infrastructure projects. Lending under the guarantee declined to EUR 0.8 bn, while lending under the own-risk Pre-Accession Facility remained at EUR 2.3 bn like in the previous year.

Despite the continued instability after the Arab Spring and the suspension of activity in Syria, EIB financing in the Mediterranean countries bounced back to EUR 1.7 bn signed in 2012, a 73% increase over the previous year. As in previous years, energy and transport sectors were the largest beneficiaries of EIB financing in the Mediterranean region. The EIB also stepped up its lending to the private sector, providing around EUR 660 mn<sup>7</sup> in 2012 – an increase by over EUR 300 mn compared to 2011 and the highest level since 2007. With EUR 350 mn signed under the Climate Change Mandate and a substantial pipeline built during the year, the region was also the main beneficiary of the additional mandate envelope released in October 2011 for climate action.

Financing activity in the Eastern Neighbourhood and Russia grew to a new record high of EUR 934 mn in 2012, up from EUR 776 mn in 2011. Credit lines for SMEs accounted for around 50% of signatures, reflecting the need to support entrepreneurship and more inclusive growth in the region. The energy and transport sectors were also large beneficiaries of EIB funding in support of strategic infrastructure projects.

In Asia and Latin America, total lending declined to EUR 700 mn (compared to EUR 1.17 bn in 2011) due to postponement of two large operations. Climate action remained the main focus of lending in the region, representing 86% of signatures in the year (100% in Asia and

<sup>7</sup> Including 24 million in equity participations using FEMIP risk capital and Trust Fund resources.

67% in Latin America). In South Africa, two new loans in support of renewable energy and municipal infrastructure totalling EUR 100 mn were signed in 2012, down from EUR 165 million in 2011.

Table 4: Sectoral breakdown of operations signed in 2012 (EUR mn) under the EU guarantee

| Region                      | Total        | Energy         | Transports       | Industry & Services | Water, sewerage | Credit lines for SMEs | Urban / Composite Infrastructure | Telecommunications |
|-----------------------------|--------------|----------------|------------------|---------------------|-----------------|-----------------------|----------------------------------|--------------------|
| Pre-Accession Countries     | 821          |                | 217 26%          | 175 21%             | 254 31%         | 175 21%               |                                  |                    |
| Mediterranean countries     | 1 655        | 387 23%        | 615 37%          | 218 13%             | 70 4%           | 165 10%               | 201 12%                          |                    |
| Eastern Neighbours & Russia | 934          | 217 23%        | 211 23%          |                     | 7 1%            | 500 54%               |                                  |                    |
| Asia and Latin America      | 450          | 75 17%         | 200 44%          |                     |                 | 75 17%                |                                  | 100 22%            |
| South Africa                | 100          | 50 50%         |                  |                     |                 |                       | 50 50%                           |                    |
| <b>Total</b>                | <b>3 960</b> | <b>729 18%</b> | <b>1 243 31%</b> | <b>393 10%</b>      | <b>330 8%</b>   | <b>915 23%</b>        | <b>251 6%</b>                    | <b>100 4%</b>      |

### 3.2. Contribution to EU policy objectives

The Decision foresees three horizontal high-level objectives for all regions covered by the EU budgetary guarantee:

- (i) Climate change mitigation and adaptation;
- (ii) Development of social and economic infrastructure;
- (iii) Local private sector development, in particular support to SMEs.

Additional underlying objectives include the contribution to the general principles guiding external action, as referred to in Article 21 TEU and regional integration among partner countries, including economic integration between pre-accession countries, neighbourhood countries and the Union.

The technical Regional Operational Guidelines aim at ensuring that EIB financing under the EU guarantee is consistent with and complementary to corresponding EU external policies, programmes and instruments in the different regions covered by the Decision.

The horizontal high-level objectives indicated above form the basis of reporting for new operations from 2012 onwards.

The EIB has continued to strengthen its climate action lending during the period covered by the Decision. The additional Climate Change Mandate envelope of EUR 2 bn has helped to widen, beyond the emerging market economies, the spread of developing countries in which investments in climate action are being made. By the end of 2012, one third of the EUR 2 bn envelope (released in October 2011) had been utilised and substantial pipeline built up in all regions, providing good prospects for full utilisation before the end of the mandate period.

Since 2007, cumulative EIB support to climate action projects in the regions covered by the Decision amounts to EUR 8.5 bn. The vast majority (86%) of climate action lending is related to investments in renewable energy, energy efficiency and sustainable transport. However, in recognising that the regions covered by the Decision are particularly vulnerable to current climate variability and to future climate change, the EIB is increasing the integration of climate resilience into projects. This includes supporting technical assistance and appropriate

planning measures as well as supporting specific adaptation investments such as flood control and defence measures.

In 2012, climate action signatures amounted to EUR 1.6 bn, representing 24% of total EIB financing in the regions covered by the Decision (29% of signatures under the EU guarantee, either under the general or the climate change mandate envelopes). This proportion is in line with the EIB's global target of 25% of overall lending (increased from 20% in 2010), and relatively more than in 2010 when broadly an equal volume of EUR 1.6 bn in climate action signatures accounted for 21% of total financing in the regions covered by the Decision (15% of signatures under the EU guarantee).

Table 5: Climate Action lending signatures in 2012 in the regions covered by the Decision

| EUR mn  | Climate action under |                        | EIB's own risk | Total climate action | as % of total signed |
|---|----------------------|------------------------|----------------|----------------------|----------------------|
|   | General Mandate      | Climate Change Mandate |                |                      |                      |
| Pre-Accession                                   | 85                   |                        | 157            | 242                  | 8%                   |
| Mediterranean                                   | 113                  | 350                    | 11             | 474                  | 28%                  |
| Eastern Neighbourhood                           | 195                  |                        |                | 195                  | 21%                  |
| Asia  |                      | 150                    | 250            | 400                  | 100%                 |
| Latin America                                   | 200                  |                        |                | 200                  | 67%                  |
| South Africa                                    | 50                   |                        |                | 50                   | 50%                  |
| <b>Total in Regions covered by the Decision</b> | <b>643</b>           | <b>500</b>             | <b>417</b>     | <b>1 560</b>         | <b>24%</b>           |
| <i>as % of total signed</i>                     | <b>29%</b>           |                        | <i>16%</i>     |                      |                      |

In the current economic environment, SME lending has become a high short-term priority of the Bank in support of the economic development in Pre-Accession countries, which indeed has reduced the share of environmental projects.

However, significant qualitative work has been achieved in 2012 in terms of the building of the relationship with local intermediaries which will translate into operations targeting climate change (e.g. small scale water and waste projects) from 2013 onwards. In addition, some reforestation and rail financings with very positive climate contribution are expected to materialise in 2013 and therefore the rate of commitment on climate finance in the Pre-Accession region is expected to rise significantly.

In line with the requirements of the Decision, the EIB developed, in consultation with the Commission, a Climate Strategy in External Mandate Countries, which was submitted to the European Council and Parliament on 19 December 2012. The strategy describes the EIB's approach to support climate action both in quantitative and qualitative terms, and presents various short-term and longer term actions to further enhance the Bank's work on climate.

Over the years 2007-2012, the EIB has provided more than EUR 23.2 bn for the financing of social and economic infrastructure, including transport, energy, environmental infrastructure and information and communication technology. EIB support for social and economic infrastructure accounted for 51% of the overall EIB activity in the regions covered by the Decision in 2012 (73% for operations under guarantee).

Support to the private sector also accounted for 51% of the overall EIB activity in the regions covered by the decision in 2012 (37% for operations under guarantee). Private sector development is necessary for inclusive and sustainable growth, which itself is a condition for poverty reduction. EIB support to the development of local private sector consists mainly of

lending through intermediary banks to SMEs and MidCaps<sup>8</sup> as well as of direct lending to larger private enterprises.

In 2012, intermediated lending to SMEs and MidCaps in the regions covered by the Decision reached EUR 2.1 bn representing more than twice the volume signed in the previous year, mainly due to higher signatures in Pre-Accession and the Eastern Neighbourhood / Russia. This represented 66% of EIB private sector activity in the regions covered by the decision in 2012 (56% for operations under guarantee). 64% was signed under the Pre-Accession Facility without the EU guarantee. Allocations of funds made in 2012 under credit lines amounted to EUR 1.7 bn, contributing to almost 4,800 investment projects undertaken by SMEs and MidCaps with total investment cost of EUR 3.6 bn. More details on the financial intermediaries' activities in support to SMEs are provided in the SWD.

The EIB also supports local private sector development through direct loans to larger private enterprises, mainly in the industrial and services sectors. These investments often induce employment and investment effects also in the local supplier base. In 2012, direct lending to the local private sector focused on the Pre-Accession and Mediterranean regions.

**3.3. In line with Article 12 of the Decision and with the EIB Policy towards weakly regulated, non-transparent and uncooperative jurisdictions adopted in 2010, no cross-border EIB financing operations under the EU guarantee were carried out with counterparts based in non-compliant jurisdictions.**

#### **3.4. Impact and value added of EIB operations**

- To further strengthen its assessment, measurement and reporting on the results and impacts of its operations outside the EU and in line with the requirements of the Decision, the EIB launched a new framework to replace the existing Economic and Social Impact Assessment Framework. The REM framework, which was introduced as a pilot in 2012, improves the ex-ante assessment of expected project results and enhances the Bank's ability to monitor and report on actual results achieved. In this context, as well as in the due diligence process, the EIB takes into account, in a systematic manner, the economic, financial, environmental and social sustainability in the design and monitoring of the projects it finances. In line with the former frameworks, projects are rated within the REM according to three "pillars":
  - Pillar 1 rates the expected contribution to lending objectives.
  - Pillar 2 measures the expected results, the quality, and the soundness of projects.
  - Pillar 3 measures the EIB's expected financial and non-financial additionality.

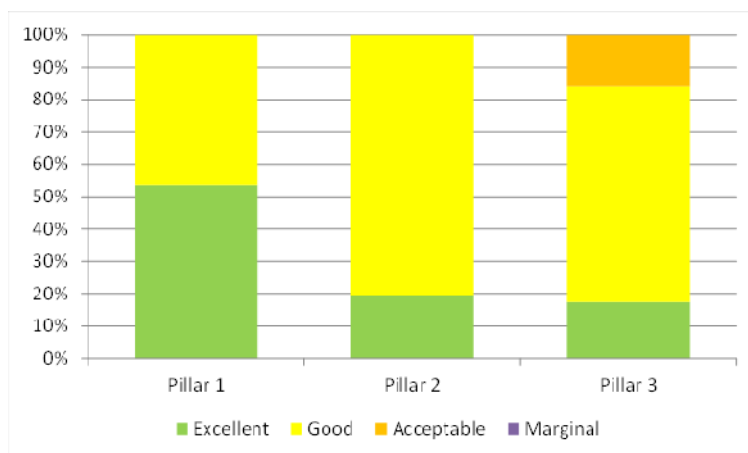
The following sections focus on operations *approved* in 2012, in contrast to the other parts of this report which contemplate operations *signed*. A worked example of a REM sheet is provided in the SWD. Expected results were estimated during the due diligence. As the approved projects begin to be completed, actual results achieved will be collected and reported. Since it will take several years for actual results to be produced by operations approved under the new REM framework, this year's REM annual report uses eight case studies to report on actual results achieved by projects under implementation or completed. As of 2013, the report will be based on signatures and not approvals, in order to align it better with other Bank reporting requirements.

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<sup>8</sup> Medium sized enterprises with a workforce between 250 and 3,000 employees.

The full REM report, covering all EIB operations outside the EU, including those under the Cotonou Mandate for the ACP region, as well as the case studies can be found on EIB website.

Chart 2 shows the distribution of REM Pillar ratings of the projects approved in 2012 in the regions covered by the Decision.



*Note: Pillar 3 ratings for additionality are slightly different: 4-high, 3-significant, 2-moderate, 1-low*

More detailed information on the REM framework can be found in the SWD.

#### 4. COOPERATION WITH THE COMMISSION

A list of the existing frameworks within which the EIB and the Commission cooperated in 2012 with a view to strengthening the coherence of overall EU support in the regions covered by the Decision is included in the SWD, together with a summary table on the financing volumes signed by the EIB upon its management of EU budget resources. Some of the main activities coordinated between the two institutions in 2012 are outlined below.

The technical Regional Operational Guidelines, drafted in close cooperation between the Commission and EIB, were adopted by both institutions in November 2012<sup>9</sup>. The Climate Strategy in External Mandate Countries, prepared in close cooperation with the Commission, was provided by EIB to the Council and European Parliament in December 2012. The Commission-EIB MoU of May 2008 was updated in 2012, in light of the establishment of the EEAS, and in view of the signature in 2013.

The Commission adopted a Delegated Act in April 2012 removing Syria from the list of eligible countries under the Decision<sup>10</sup>. In this context, it should be noted that the EIB experienced defaults on interest and loan repayments from the Syrian Government and the Guarantee Fund was called several times in 2012 to cover defaults on loans in Syria for an amount equivalent to approximately EUR 21.5mn<sup>11</sup>.

The EIB and EEAS have taken forward the principle of colocation of EIB offices within EU Delegations. All new EIB external offices are being located in Delegations, with an effort to relocate existing offices where possible. In 2012, the EIB opened an office in Ukraine within

<sup>9</sup> SWD(2012) 357 final.

<sup>10</sup> OJ L 110, 24.4.2012, p. 38

<sup>11</sup> For further detail, see the Report from the Commission to the European Parliament and the Council on the Guarantee Fund and its management in 2012 (COM(2013)662, transmitted to the European Parliament and the Council on 27 September 2013.

the EU Delegation, and significant progress was made in the discussions concerning EIB offices in China and Russia.

Draft framework agreements were discussed with a number of newly eligible partners (Cambodia, Iceland, Iraq, Kosovo<sup>12</sup> and Libya) in 2012. The agreement with Kosovo was signed in 2013.

Throughout 2012, geographical coordination meetings have taken place between the EIB, the Commission and EEAS in all regions covered by the Decision, with the aim of identifying concrete activities to enhance synergies.

The EIB provided input to the impact assessment work carried out by the Commission in 2012 to prepare the legislative proposal to the Parliament and the Council for the next EU guarantee to EIB operations outside the EU for the period 2014-2020.

The EIB continued its active involvement in the EU High Level Taskforces established by HRVP Ashton to provide a coordinated EU response to the needs of the Arab Spring countries.

The EIB continued to actively participate in the regional loan-grant blending mechanisms in 2012. It also closely cooperated with the Commission in the group of experts tasked with studying the establishment of the EU Platform for Blending in External Cooperation (EUBEC). The Platform was established at the end of 2012<sup>13</sup> and the EIB is an active participant in the EUBEC, also chairing one of the Technical Groups established in this framework.

## **5. COOPERATION WITH INTERNATIONAL FINANCING INSTITUTIONS**

Cooperation with other International Financial Institutions (IFIs) is an integral part of the EIB activities, ranging from dialogue on institutional matters, horizontal topics and thematic issues, and mutual consultation, to enhanced forms of operational co-financing and work sharing. A large portion of the dialogue between IFIs takes place within specialised working groups meeting periodically to share best practices or to address specific issues. There are approximately 30 established Multilateral Development Banks (MDBs) working groups which occasionally include other IFIs, covering a wide range of topics. Moreover, the EIB has engaged with other MDBs in a major work to harmonise the tracking and reporting on Climate Finance. Two reports, on Mitigation tracking and Adaptation tracking, were published at Doha. In addition, the Bank is a leading contributor to the IFI working group on green-house gas accounting. Finally, the Bank participates in other dialogue initiatives such as the semi-annual Heads of MDBs meeting which was hosted by the EIB in 2012 in Luxembourg.

In 2012, co-financing with other IFIs or European bilateral institutions represented 67% of EIB total signatures with the EU guarantee, up from 56% in 2011. The list of co-financed operations signed in the regions covered by the Mandate in 2012 is included in the SWD.

The MoU between the Commission, the EIB Group and the EBRD signed in March 2011 was updated in 2012 to take account of the first review which took place in March 2012. The MoU

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<sup>12</sup> This designation is without prejudice to positions on status and is in line with UNSCR 1244/1999 and the ICJ Opinion on the Kosovo declaration of independence

<sup>13</sup> The report of the group of Expert is available at the following address: <http://ec.europa.eu/transparency/regexpert/index.cfm?do=groupDetail.groupDetailDoc&id=6980&no=1> and <http://ec.europa.eu/transparency/regexpert/index.cfm?do=groupDetail.groupDetailDoc&id=6981&no=2>

sets out a framework for cooperation outside the EU which seeks to enhance the combined impact of the two Banks' respective operations, in the interest of beneficiary countries and of the respective Banks' shareholders. This update extends the list of regions of common operation outside the EU to include the Southern and Eastern Mediterranean region.

Under the Mutual Reliance Initiative (MRI) between AfD, EIB and KfW, operational guidelines were finalised in 2012, building on the experience of the pilot phase, involving 14 joint projects in the Southern Neighbourhood and in sub-Saharan Africa. The MRI is a mechanism by which, when co-financing projects, one of the three partners takes the role of lead financier, relying on its standards and procedures as long as the minimum requirements of the other partners are met. As of 2013, the initiative will be rolled out to other geographical regions outside the EU.

The EIB has cooperated throughout 2012 with other lenders under the G8 Deauville Partnership to ensure that synergies are optimised in support of democratic and economic transition in the southern neighbourhood region. In 2012, the EIB also signed a bilateral MoU with the Islamic Development Bank.

The Bank launched, together with EBRD and the World Bank Group, the "Vienna 2 Initiative" in January 2012 in response to renewed risks for the Pre-Accession region stemming from the eurozone crisis. Its focus is on fostering home and host authority coordination in support of stable cross-border banking and guarding against disorderly deleveraging. Western banking groups continue to play an important role in the Initiative, both by supporting the coordination efforts and doing their own part to avoid disorderly deleveraging.