

'Renewed mandate sets tone for EIB's external action' in EIB INFO (24 October 2011)

Caption: In their decision of 25 October 2011, the European Parliament and the Council renewed the mandate of the European Investment Bank (EIB) to carry out operations outside the European Union (EU). Article 209(3) of the Treaty on the Functioning of the European Union, in conjunction with Article 208 thereof, provides that the EIB is to contribute to the implementation of the measures necessary to further the objectives of the EU's development cooperation policy.

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Renewed mandate sets tone for EIB's external action

The renewed mandate focuses the EIB's operations outside the EU until end-2013 on key areas such as the private sector, infrastructure and climate action. It also adapts the scope of the Bank's activities to a rapidly changing global environment.

In a recent European Parliament vote following its adoption by the Council, EU policymakers gave their backing to a renewed mandate for EIB operations outside the EU. This concludes a two-year process of broad discussions on the Bank's role in the world and provides for a new direction.

The process was launched as part of a mid-term review, including an evaluation by a group of wise persons chaired by Michel Camdessus (former IMF Managing Director), and ended in an agreement between the European Commission, the Council of the EU and the European Parliament. As in previous cases, the mandate provides an EU guarantee against losses under loans for projects in Pre-Accession, Neighbourhood and Partnership countries, Asia, Latin America and South Africa until 2013.

Enlarged scope

The renewed mission especially allows the EIB to adapt to rapidly changing political realities. Its geographic scope has been enlarged to cover Iceland, Libya, Iraq and Cambodia. The Bank has already shown its ability to respond to political developments such as the Arab Spring, where it is part of the international efforts to help countries such as Tunisia and Egypt – and now Morocco and Jordan (see news in brief) – manage their transitions, or Syria where the EIB has recently suspended its future loans and technical assistance, following the EU's decision to impose sanc-

tions on the regime after its violent crackdown on protests.

In the wake of the global economic and financial crisis, the EIB has frontloaded its external lending activities since 2009. To enable the Bank to continue to do so for the remaining two years of its mandate, the general mandate ceiling has been increased by EUR 1.6bn. A large part of this increase will be used to provide the Southern Mediterranean countries with the means to rebuild and modernise their economies, following the events of early 2011. A novel feature is that the increase will reward political reforms undertaken by individual partner countries. This will be assessed by the Commission with the involvement of the European External Action Service.

The EIB has also been equipped with an additional EUR 2bn to support the fight against climate change across all regions. This will help to boost the Bank's climate action beyond the Union.

New horizontal high-level objectives across all regions have been established, giving priority to local private sector development, social and economic infrastructure and climate change mitigation and adaptation projects.

Closer cooperation with partners

Partnering with others has always been an important feature of the Bank's operations outside the EU, and not only under the Deauville Partnership where the EIB is cooperating with nine other international and regional financial institutions¹. The renewed mandate puts a particular emphasis on this aspect: for projects in developing countries EU grants are increasingly blended with EIB lending to achieve the

¹ Arab Fund for Economic and Social Development, Arab Monetary Fund, EBRD, International Finance Corporation, IMF, Islamic Development Bank, World Bank, OPEC Fund for International Development, and African Development Bank.



EU policymakers gave their backing to a renewed mandate for EIB operations outside the EU.

best outcome. Another practical implication is the location of local offices abroad: having the EIB representation under the same roof as the EU Delegations abroad will help to facilitate enhanced cooperation between the EIB, the European External Action Service and the Commission, while sharing operating costs.

The setting-up of an 'EU platform for co-operation and development' to look at ways of further promoting synergies will be studied over the coming months. A working group of experts from the Member States, the EU's External Action Service and the EIB is being established and will come up with a proposal by mid-2012.

Already, in the Eastern Neighbourhood countries, the EIB and the European Bank for Reconstruction and Development (EBRD) regularly work together on projects to provide combined financial support. This cooperation will be extended to activities in the Southern Mediterranean.

The EIB also collaborates with other European financial institutions to support key projects abroad under the so-called 'mutual reliance' initiative. This framework allows one of the participating institutions to take the lead on project assessment, while the other co-financiers can use this assessment for their own purposes, thus avoiding a duplication of paperwork for the project promoter and reducing the costs. The EIB started off the mutual reliance initiative with the French development agency, Agence Française de Développement, and the German public bank Kreditanstalt für Wiederaufbau. Moreover, the Bank has a network of trusted partners in the private sector, among public authorities and non-governmental organisations (NGOs).

The EIB also has a strong network and long-established relations with key counterparts in the private sector. Such partnerships facilitate development of the local private sector, in particular small and medium-sized enterprises, which play an essential role in stimulating economic development and the fight against unemployment. Public-private partnerships (PPPs) can help mobilise the private sector and enhance its attractiveness for

foreign direct investment. Based on the findings of a recent study and drawing on its experience in the field of PPPs, the EIB has launched an ambitious technical assistance programme in the Mediterranean over the period 2011-2013 aimed at ex-

panding the use of PPPs and accelerating the transfer of expertise and technologies in this region on the basis of pilot projects. This may serve as an example for other regions, helping them to attain sustainable economic growth. ■



Demonstrating a coordinated response to the Arab Spring: European Commission President José Manuel Barroso and EIB President Philippe Maystadt on a joint visit to Egypt in July.

Arab Spring: a timely and effective response

For the EIB, supporting sustainable growth and jobs in the Southern Mediterranean countries in transition is a top priority. The Bank is already the leading public financial institution in the region, supplying more than half of Europe's financial contribution to sustainable projects.

The EIB plays an important part in the so-called Deauville Partnership, launched in May by the G8 to back both democratic and economic transition in the region. EIB Vice-President Philippe de Fontaine Vive, responsible for operations in the Mediterranean, has already signed two loans worth some EUR 300m with Tunisia to support job creation and industrial development, and in September the EIB Board approved a simplification of the Bank's procedures to finance small and medium-sized enterprises (SMEs) in the country.

In Egypt, the Bank seeks to accelerate relevant projects in priority areas, such as infrastructure, community development and SMEs. The EIB intends to provide financing of up to EUR 800m over the coming months to support the development of the economy. These investments would be co-funded by the Egyptian government, and EU grants will be blended with EIB loans in a joint effort to support the country at this crucial moment.