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DRAFT GENERAL BUDGET OF THE EUROPEAN UNION

Working Document Part XI

#EUBudget

2024
FINANCIAL YEAR

Budgetary Guarantees, Common Provisioning Fund and Contingent Liabilities

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Budget

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EUROPEAN COMMISSION

DRAFT GENERAL BUDGET
of the European Union
for the financial year 2024

Working Document
Part XI

Draft General Budget of the European Union for the Financial Year 2024

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Budgetary Guarantees, Common Provisioning Fund and Contingent Liabilities

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The 2024 Draft Budget is accompanied by twelve ‘Working Documents’, as follows:

Part I: Programme Performance Statements of operational expenditure

Working Document I contains, pursuant to Article 41(3)(h) of the Financial Regulation, the Programme Performance Statements, which provide for each spending programme comprehensive information on the financial implementation and progress in achieving the programme objectives as of the end 2022.

Part II: Human Resources of the EU institutions and executive agencies

Working Document II presents information on the human resources of the EU institutions and executive agencies, and in particular for the Commission, both for the establishment plans and for external personnel and across all headings of the multiannual financial framework. Moreover, pursuant to Article 41(3)(b) of the Financial Regulation, it provides a summary table for the period 2021 – 2024 which shows the number of full-time equivalents for each category of staff and the related appropriations for all institutions and bodies referred to in Article 70 of the Financial Regulation.

Part III: Bodies set up by the European Union having legal personality

Working Document III presents detailed information relating to all decentralised agencies and Joint Undertakings, with a transparent presentation of revenue, expenditure and staff levels of various Union bodies, pursuant to Article 41(3)(c) of the Financial Regulation.

Part IV: Pilot projects and preparatory actions

Working Document IV presents information on all pilot projects and preparatory actions which have budget appropriations (commitments and/or payments) in the 2024 Draft Budget, pursuant to Article 41(3)(f) of the Financial Regulation.

Part V: Budget implementation and assigned revenue

Working Document V presents the budget implementation forecast for 2023, information on assigned revenue (implementation in 2022 and estimation for 2024) and a progress report on outstanding commitments (RAL) pursuant to Articles 41(3)(d) and 41(8) of the Financial Regulation.

Part VI: Commission expenditure under the administrative heading of the multiannual financial framework

Working Document VI encompasses administrative expenditure to be implemented by the Commission under the administrative heading of the multiannual financial framework (heading 7) in accordance with Article 317 of the Treaty on the Functioning of the European Union, as well as the budgets of the Offices (OP, OLAF, EPSO, OIB, OIL and PMO), pursuant to Article 41(3)(e) of the Financial Regulation.

Part VII: Commission buildings

Working Document VII presents information on buildings under Section III - Commission, pursuant to Article 266(1) of the Financial Regulation.

Part VIII: Expenditure related to the external action of the European Union

Working Document VIII presents information on human resources and expenditure related to the external action of the European Union, pursuant to Article 41(10) and (11) of the Financial Regulation.

Part IX: Funding to international organisations

Working Document IX presents funding provided to international organisations, across all MFF headings, pursuant to Article 41(3)(g) of the Financial Regulation.

Part X: Financial Instruments

Working Document X presents the use made of financial instruments, pursuant to Article 41(4) of the Financial Regulation.

Part XI: Budgetary Guarantees, Common Provisioning Fund and Contingent Liabilities

Working Document XI presents the implementation of Budgetary Guarantees, the Common Provisioning Fund and the assessment of the sustainability of the contingent liabilities arising from budgetary guarantees and financial assistance pursuant to Article 41(5) of the Financial Regulation.

Part XII: Payment schedules

Working Document XII presents summary statements of the schedule of payments due in subsequent years to meet budgetary commitments entered into in previous years, pursuant to Article 41(3)(i) of the Financial Regulation.

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OVERVIEW

The present report has three chapters. The **first chapter** provides an analysis of the budgetary guarantee programmes implemented by the end of 2022. The **second chapter** focuses on the evolution of the provisions held in the relevant compartments of the Common Provisioning Fund ("CPF") over the period 1 January 2022 to 31 December 2022. The **third chapter** assesses the EU budget's contingent liabilities arising from budgetary guarantees and financial assistance programmes (i.e. the Macro-Financial Assistance ("MFA") loans and the non-EU Euratom loans).

1. **Presentation of the budgetary guarantees and situation at end 2022:**

This includes the European Fund for Strategic Investments ("EFSI"), and the InvestEU programme supporting investments inside the European Union[1]. Alongside the internal budgetary guarantees, the European Fund for Sustainable Development ("EFSD"), the External Lending Mandate ("ELM") and the European Fund for Sustainable Development Plus ("EFSD+"), the latter part of the 'Neighbourhood, Development and International Cooperation Instrument - Global Europe' (NDICI) support investments in third countries.

- Aggregation across the budgetary guarantee programmes is traditionally difficult given that the five guarantee programmes were set up at different times and for different types of investments. They also span different Multiannual Financial Framework ("MFF") periods. ELM came into existence in 1977. EFSI was set up in 2015. EFSD was created in 2017 (with the first guarantee agreement signed at the end of 2018) while EFSD+ and InvestEU have only become operational recently. As a result, each budgetary guarantee is now at a different stage of implementation. ELM has a long track record and EFSI's constitution period ended in 2022 whereas the investment phase of InvestEU, EFSD and in particular of EFSD+ have started only very recently.

- The five budgetary guarantee programmes vary in respect of fundamental features. They support different (e.g. debt/equity) products and use different implementation methods (one exclusive implementing partner vs open architecture with multiple implementing partners).

  The key differences can be illustrated as follows:

  - ELM offers two types of products (mainly direct sovereign lending and to a certain extent also private lending) and is operated on an exclusive basis by the EIB.
  - EFSI is structured in two Windows (an Infrastructure and Innovation Window ("IIW") and an SME Window ("SMEW") with different products implemented under both Windows) and is also using one exclusive implementing partner, namely the EIB Group.

[1] EFTA and Associated Countries may also be eligible.

- EFSD is implemented by ten counterparts deploying different financial products with different risk levels investing in five key sectors i.e. small business financing, sustainable energy and connectivity, local currency financing, digitalisation, and sustainable cities.
- New budgetary guarantees such as InvestEU and EFSD+[2] built on this experience and have similar features (a larger number of implementing partners ("open architecture") and a relatively broad variety of products).

- The five guarantee programmes have a different geographical focus which influences the risks which they bear. EFSI and InvestEU help to overcome investment gaps within the European Union. ELM, EFSD and EFSD+ are part of the European Union's external policies and entail supporting investment in third countries (with ELM and EFSD+ Investment Window 1 mainly focusing on sovereign counterparts, while EFSD and EFSD+ Open Architecture mainly targeting private operations).

  This explains why the different guarantee programmes have different risk profiles, requiring different provisioning rates. EFSI (with a maximum guarantee amount of EUR 26 billion) has a target provisioning rate of 35%, InvestEU (with a maximum guarantee amount of EUR 26.2 billion[3]) has a target provisioning rate of 40%. The corresponding figure for EFSD (maximum guarantee amount EUR 1.44 billion) and EFSD+ open architecture (guarantee amount EUR 13 billion) is 50%. For ELM (maximum guarantee EUR 70.87 billion)[4] and EFSD+ Investment Window 1, focussed on sovereign counterparts (maximum guarantee amount EUR 26.7 billion) the target provisioning rate for the portfolio is 9%.

- It should also be recalled that for historical reasons the ELM provisioning process is different than that of EFSI, InvestEU, EFSD and EFSD+. The legacy external action compartment of the Common Provisioning Fund (the former Guarantee Fund for External Actions or GFEA), which holds the provisions for ELM (and also for Macro-Financial Assistance and non-EU Euratom loans) is provisioned ex-post, while the other compartments are provisioned *ex-ante* in accordance with Article 211 of the 2018 Financial Regulation (FR)[5].

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[2] To ensure a comprehensive and transparent overview of the EFSD+ guarantee, the report provides information on the EFSD+ EIB dedicated Windows in accordance with Art. 36 of the NDICI, and the EFSD+ Open Architecture implemented by other entrusted entities.

[3] This amount excludes EUR 258,745,039 contribution in the form of blending from sectoral financial instruments.

[4] This amount is calculated as a sum of the respective external mandates' authorised ceilings multiplied by the corresponding guarantee rates (i.e. for each mandate, the thickness of the portfolio-level first loss cover provided by the EU).

[5] Regulation (EU, Euratom) 2018/1046 of 18 July 2018 on the financial rules applicable to the general budget of the Union repealing Regulation (EC, Euratom) No 966/2012.

- At the end of 2022, the total outstanding risk for the EU budget for the five budgetary guarantees (based on operations signed) amounted to EUR 62.3 billion[6] (EUR 24.6 billion for EFSI, EUR 2.1 billion for InvestEU, EUR 0.5 billion for EFSD, EUR 0.004 billion for EFSD+ Open Architecture, EUR 4.5 billion for EFSD+ Investment Window 1 and EUR 30.6 billion for ELM).

- The impact of the budgetary guarantees in terms of investment can be summarised by the following:

  - EFSI supported 841,957 final recipients and mobilised financing to final recipients of more than EUR 396.6 billion. This in turn led to total investments of EUR 524.9 billion (approved amounts) and EUR 65 billion disbursed.

  - As of the end of 2022, the InvestEU programme EUR 17.4 billion investment operations were approved, of which EUR 6.3 billion have already been signed and EUR 0.8 billion disbursed. This is expected to mobilise EUR 70 billion of total investments.

  - Under EFSD and EFSD+, EUR 1.3 billion of disbursed operations have been recorded out of which EUR 1 billion from EFSD covering all the investment windows, while both programmes also played a crucial role in the financing of the COVAX programme which contributed to the manufacturing and distribution of Covid-19 vaccines to developing countries.

  - Under EFSD+ Investment Window 1, the European Investment Bank (EIB) already disbursed EUR 157.6 million of operations.

  - The ELM programme allowed the EIB to disburse loans for in total EUR 66.0 billion (a figure which excludes activities in countries which meanwhile have become EU Member States). The ELM supported 668 final recipients and estimates are that ELM has mobilised final recipients' investments of EUR 132.1 billion (reflecting the EIB's rule of co-financing up to 50% of total project costs and again excluding activities in countries which meanwhile have become EU Member States).

2. The level of provisioning of the budgetary guarantees.

The **second chapter** focuses on the financial situation of the provisions held in the respective compartments of the Common Provisioning Fund with details on the different compartments (EFSI, InvestEU, InvestEU MS compartments, EFSD, EFSD+, GFEA and MFA 2021-2027). The CPF functions as a single portfolio and combines from an asset management perspective the provisions for the different budgetary guarantee and financial assistance programmes.

The CPF started operations on 1 January 2021 when the EFSI guarantee fund portfolio was transferred to the CPF. In 2022, the CPF received EUR 3.26 billion in net contributions. As of 31

6 For comparison, in 2021 the total risk for the EU budget based on operations signed was EUR 58.6 billion.

December 2022, the market value (i.e. the "net assets") of the CPF amounted to EUR 14.39 billion. On 31 May 2023[7], the Commission published its second annual report of the CPF which includes detailed information on the CPF, in particular on its asset management aspects.

3. Assessment of adequacy of the provisioning:

The **third chapter** assesses the EU budget's contingent liabilities arising from budgetary guarantees and financial assistance programmes (i.e. the Macro-Financial Assistance loans and the non-EU Euratom loans). The assessment is based on mathematical/statistical credit risk models, which help to estimate future losses resulting from budgetary guarantees, supplemented by expert judgment. The credit risk models used take into account a number of qualitative and quantitative elements such as payment defaults, impairment assessment of loans, diversification effects etc.

As of 31 December 2022, having regard the analysis of the adequacy of the provisioning for the different budgetary guarantees, financial assistance programmes (i.e. MFA) and Euratom loans as set out in this report, the Commission concludes that the available provisioning amounts are in line with the requirements of the respective Regulations. On this basis, it is concluded that the EU budget's liabilities arising from guarantee programmes and financial assistance are sustainable.

For the individual guarantee funds, the conclusions are:

- EFSI is the only guarantee fully constituted as of end-2022. It is therefore the only budgetary guarantee for which the Commission has to perform the surplus/replenishment assessment described in Article 213(4) of the Financial Regulation. The Commission concluded this year that for EFSI no surplus/replenishment actions were needed. The de facto provisioning rate is close to the target provision of 35% and the credit risk model confirmed that the available provision is still sufficient to cover estimated losses at the desired confidence level (even though at product level a lower provisioning requirement for debt products is compensated by a higher provisioning requirement for equity and other products).

- EFSD is still in the ramp up-phase. Given that consideration, the de facto provisioning rate 61.8% seems adequate taking into account the number of operations included in the portfolio. All operations benefitting from the EU guarantee have to be signed by the end of 2024.

- The GFEA, which holds the provisioning for pre 2021 MFA loans, ELM and Euratom, benefits from an ex-post replenishment mechanism. This replenishment will be implemented through the annual budgets for 2024 and 2025 bringing the provisioning rate back into line with the 9% level stipulated by the GFEA Regulation.

7 COM(2023)288 final, Report from the Commission to the European Parliament and Council on the common provisioning fund in 2022.

- InvestEU and EFSD+ are still in the ramp-up phase which means that the underlying portfolios and provisioning are not fully constituted yet. It is too early to draw any conclusions regarding the adequacy of the provisioning for these guarantees.
- MFA the analysis of the Authorising Officer confirmed that there are currently no elements to put into question the overall 9% target provisioning rate.

INTRODUCTION

This is the third edition of the report under Article 41(5) of the Financial Regulation. This article requires the Commission to attach to the draft annual budget a staff working document with:

- information on each EU budgetary guarantee;
- information on the Common Provisioning Fund;
- an assessment of the sustainability of contingent liabilities borne by the budget arising from budgetary guarantees and financial assistance.

The Article 41(5) report follows this structure and has a dedicated section on each of the three topics mentioned above.

As for the section on contingent liabilities, the Article 41(5) report will assess the provisioning adequacy of the Union's individual guarantee programmes and financial assistance programmes. A more consolidated aggregate assessment of the Union's contingent exposures - including its unprovisioned exposures - will be provided in the (annual) Article 250 FR report.

In the Article 250 FR report, the Commission is obliged to provide information to the European Parliament and to the Council on budgetary guarantees, the Common Provisioning Fund and contingent liabilities arising from budgetary guarantees or financial assistance.

In the paragraphs below, a brief account of the content of each section will be provided. In particular, it will be explained how the different requirements of Article 41(5) FR are covered in the different sections.

1. Budgetary Guarantees

This section will cover the entire implementation period from the launch of each given budgetary guarantee until 31 December of the reference year (i.e. for this year's report, the reference year is 2022).

This section covers five budgetary guarantees, two of which are part of the Commission's internal policy actions (EFSI and InvestEU), while the other three fall under the Commission's external policy actions (EFSD, EFSD+ and ELM).

As per the relevant provisions of Article 41(5) FR, each individual budgetary are analysed and the results of that analysis are summarised in the three following parts:

- Part A: Description;
- Part B: Operational performance;
- Part C: Financial information.

Part A. Description

Items of Article 41(5) covered:	– (a): a reference to the budgetary guarantee and its basic act, together with a general description of the budgetary guarantee, its impact on the financial liabilities of the budget, its duration and the added value of Union support; – (b): the counterparts for the budgetary guarantee, including any issues relating to the application of Article 155(2).

Part B. Operational performance

Items of Article 41(5) covered:	– (c): the budgetary guarantee's contribution to the achievement of the objectives of the budgetary guarantee, as measured by the indicators established, including, where applicable, the geographical diversification and the mobilisation of private sector resources; – (d): information on operations covered by the budgetary guarantee on an aggregated basis by sectors, countries and instruments, including, where applicable, portfolios and support combined with other Union actions; – (e): the amount transferred to recipients as well as an assessment of the leverage effect achieved by the projects supported under the budgetary guarantee.

Part C. Financial information

Items of Article 41(5) covered:	– (d): information on operations covered by the budgetary guarantee on an aggregated basis by sectors, countries and instruments, including, where applicable, portfolios and support combined with other Union actions; – (f): information aggregated on the same basis as referred to in point (d) on calls on the budgetary guarantee, losses, returns, amounts recovered and any other payments received.

2. Common Provisioning Fund

Article 212 of the Financial Regulation establishes the Common Provisioning Fund to hold the provisions made to cover the financial liabilities arising from budgetary guarantees and financial assistance programmes. With its Communication dated 26 February 2021[8], the Commission informed that the CPF would enter into force in 2021, along with the new 2021-2027 MFF.

Therefore, this year's report contains a full section on the CPF, focusing on the financial aspects related to the EFSI, InvestEU, EFSD, EFSD+ and the GFEA compartments. It should be recalled that on 31 May 2023, the Commission already published its second annual report of the CPF, which includes already information on the CPF, in particular on its asset management aspects.

Items of Article 41(5) covered:	– (g): information about the financial management, the performance and the risk of the common provisioning fund at the end of the preceding calendar year; – (h): the effective provisioning rate of the common provisioning fund and, where applicable, the subsequent operations in accordance with Article 213(4); – (i): the financial flows in the common provisioning fund during the preceding calendar year as well as the significant transactions and any relevant information on the financial risk exposure of the Union.

[8] COM(2021)88 final, Communication from the Commission to the European Parliament and Council on the entry into operation of the Common Provisioning Fund, 26 February 2021.

3. Contingent Liabilities

This section of the report will assess the adequacy of the provisioning and its impact on the sustainability of **individual** contingent liabilities generated by budgetary guarantees and financial assistance (i.e. provisioned contingent liabilities). As already explained above, a **consolidated** analysis (including unprovisioned contingent liabilities) will be made in the Commission's Article 250 report.

Items of Article 41(5) covered:	– (j): Pursuant to Article 210(3) FR, an assessment of the sustainability of contingent liabilities borne by the budget arising from budgetary guarantees or financial assistance.

1. BUDGETARY GUARANTEES

1.1 EUROPEAN FUND FOR STRATEGIC INVESTMENTS

1.1.1 DESCRIPTION

Identification/Reference to the basic act		
Regulation (EU) 2015/1017 of the European Parliament and of the Council of 25 June 2015 on the European Fund for Strategic Investments, the European Investment Advisory Hub and the European Investment Project Portal and amending Regulations (EU) No 1291/2013 and (EU) No 1316/2013 – the European Fund for Strategic Investments (OJ L 169, 1.7.2015, p. 1).		
Maximum amount of budgetary guarantee (in EUR)	**of which signed with counterparts**	**of which effective at 31/12/2022**
26,000,000,000	26,000,000,000	26,000,000,000
of which ceiling authorised in the legal basis (in EUR)	**Counterparts**	
26,000,000,000	European Investment Bank, European Investment Fund	
of which from external contributions (in EUR)		
0		

Budget Lines					
Article 02 02 99 12 (as from 2021) - Completion of the European Fund for Strategic Investments (EFSI)					
	Cumulative to 2022	**2023**	**2024**	**2025-2027**	**Total**
Budgetary commitment appropriations (in EUR)	9,482,378,170	128,000,000	p.m.	p.m.	9,610,378,170
of which from voted budget	8,425,000,000	p.m.	p.m.	p.m.	8,425,000,000
of which from internal assigned revenues	1,057,378,170	128,000,000	p.m.	p.m.	1,185,378,170
of which from external assigned revenues	N/A	N/A	N/A	N/A	0
Budgetary payment appropriations (in EUR)	9,482,378,170	128,000,000	p.m.	p.m.	9,610,378,170
of which from voted budget	8,425,000,000	p.m.	p.m.	p.m.	8,425,000,000
of which from internal assigned revenues	1,057,378,170	128,000,000	p.m.	p.m.	1,185,378,170
of which from external assigned revenues	N/A	N/A	N/A	N/A	0

General description

The European Fund for Strategic Investments ("EFSI") aimed to boost long-term economic growth and competitiveness in the European Union and to help overcoming the investment gap in the EU.

Jointly launched by the European Commission and the European Investment Bank Group in 2015, it mobilises private and public investment in projects, which are strategically important.

EFSI was established by Regulation (EU) 2015/1017 of the European Parliament and of the Council of 25 June 2015. On 30 December 2017, EFSI was extended and enhanced by Regulation (EU) 2017/2396 of the European Parliament and of the Council of 13 December 2017 (the "EFSI 2.0 Regulation").

EFSI is one of the three pillars of the Investment Plan for Europe (also known as the "Juncker Plan") that aimed to revive investment in strategic projects around the continent to ensure that money reaches the real economy. With the EFSI support through a budgetary guarantee, the EIB Group is providing funding for economically viable projects, especially for projects with a higher risk profile.

The focus is on sectors of key importance for the European economy, including:

- Strategic infrastructure including digital, transport and energy;
- Education, research, development and innovation;
- Renewable energy and resource efficiency; and
- Support for small and mid-sized businesses.

EFSI has two windows:

- the Infrastructure and Innovation Window ("IIW"), managed by the EIB and comprising four portfolios, and;
- the SME Window ("SMEW"), managed by the EIF and comprising 11 products.

In order to enhance the efficiency of the EFSI guarantee and to increase its risk bearing capacity, a combination of the two EFSI Debt Portfolios with InvestEU Debt 1 and Debt 2 Portfolios became effective on 1 April 2022. To this end, losses, revenues and repayments are attributed pro-rata between the EFSI and the InvestEU guarantee.

Implementation cycle

EFSI provides a EUR 26 billion budgetary guarantee from the EU budget, complemented by EUR 7.5 billion own resources allocation of the EIB. The total amount of EUR 33.5 billion aimed to unlock additional investment of at least EUR 500 billion as of 31 December 2020.

In 2022, EFSI continued making progress towards the defined objectives, in particular on the climate target of 40%, on the investment mobilised as well as the impact on jobs and growth. As of 31 December 2022, EFSI financing approved by the EIB Group led to a total investment value of EUR 524.9 billion. In terms of financing signed, the total mobilised investment is EUR 503.0 billion.

In order to cover the risks of the EU guarantee, the EFSI Guarantee Fund was established in 2015. As of 1 January 2021, the assets of the EFSI Guarantee Fund were transferred to the EFSI compartment of the Common Provisioning Fund. The provisioning rate of the EFSI guarantee is set at 35% of the total amount of the obligations under the EU guarantee.

As of 31 December 2022, the cumulative provisioning committed and paid under EFSI amounted to EUR 9.482 billion, out of which EUR 8.425 billion from the EU budget and EUR 1.057 billion from assigned revenues.

The Common Provisioning Fund is directly managed by the Commission and invested in accordance with the principle of sound financial management and following appropriate prudential rules. The total assets (market value) of the EFSI compartment stood at EUR 8.464 billion as of 31 December 2022.

The EU guarantee under EFSI can be called to cover guarantee calls, restructuring losses and recovery costs for debt-type operations and value adjustments, funding costs and recovery costs for equity-type operations.

Although the cumulative amount of guarantee calls is modest at about EUR 184 million, an increase in the number and volume of future guarantee calls can be expected, due to the current economic situation and the risk-sharing structure of certain financial products.

Implementation arrangements

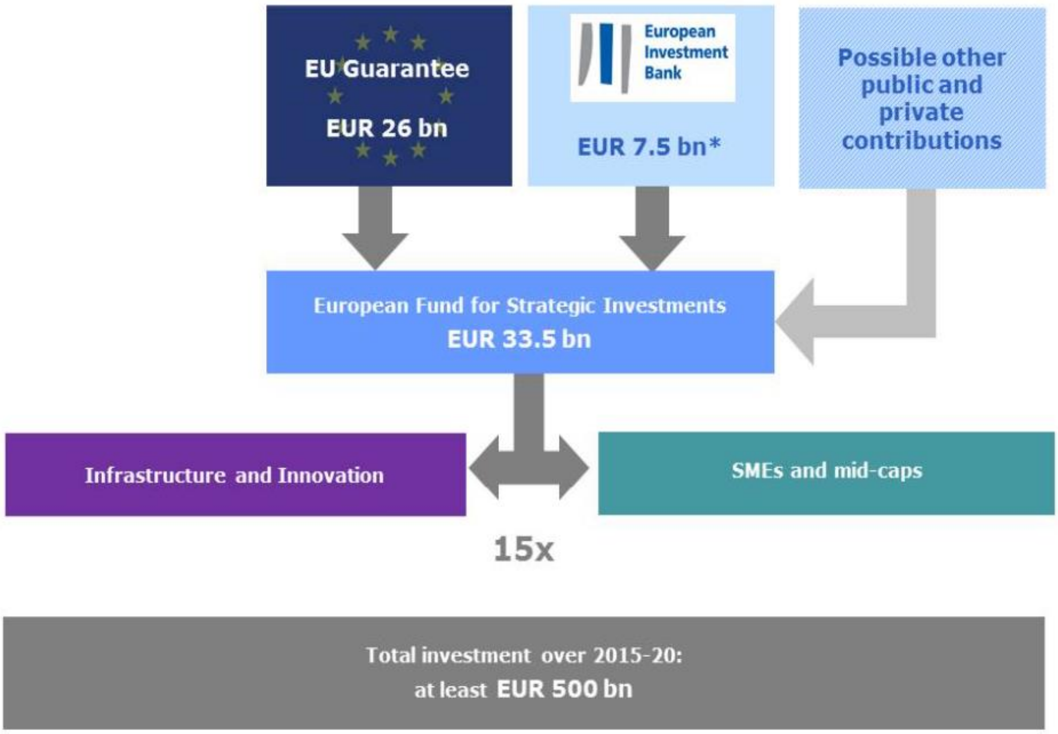
EFSI is a budgetary guarantee implemented under indirect management by the EIB Group. To this end, an agreement on the management of the EFSI and on the granting of the EU guarantee was signed with the EIB on 22 July 2015.

EFSI has two Windows:

- the Investment and Innovation Window, managed by the EIB and comprising four portfolios. As of 1 April 2022, the EFSI IIW Debt Standard Portfolio was combined with the InvestEU D1 Portfolio, whereas the EFSI IIW Debt Hybrid Portfolio was combined with the InvestEU D2 Portfolio;

- the SME Window, managed by the EIF and comprising 11 products.

Implementation diagram



** Contributions from EIB own resources.*

Duration

EFSI was set up in July 2015 and extended in 2017 (by the EFSI 2.0 Regulation). The investment period for approval of operations ended on 31 December 2020, but contracts between the EIB/EIF and final recipients or financial intermediaries could be signed until 31 December 2022.

Given the long-term nature of support under EFSI, the EU guarantee coverage and operational monitoring will continue until all exposures and liabilities in relation to EFSI operations have been fully discharged.

Added Value

Since the 2008 financial crisis, the EU has been suffering from low levels of investment. Collective and coordinated efforts at European level were taken to put Europe on the path of economic recovery. The Investment Plan for Europe focused on making smarter use of new and existing financial resources (through the EFSI guarantee), providing visibility and technical assistance to investment projects (through the European Investment Project Portal and the European Investment Advisory Hub) and removing obstacles to investment.

EFSI is the first pillar of the Investment Plan for Europe and aims to overcome market failures by addressing market gaps and mobilising private investment.

Action at the Union level allows for economies of scale in the use of the Union budget funds in combination with the EIB Group financing by catalysing private and public investment across the Union and making best use of expertise and knowledge. The multiplying effect and the impact on the ground is thus much higher than what could be achieved by an investment offensive in a single Member State or a group of Member States.

The demand-driven nature of the instrument, i.e. no country-specific nor sectorial project allocation, provided for greater attractiveness for investors and lower aggregated risks. The investments supported under EFSI contribute to the Union programmes and policies and the targets and objectives of the Europe 2020 strategy for smart, sustainable and inclusive growth, quality job creation and economic, social and territorial cohesion.

Application of Article 155.2 FR

The EFSI Agreement foresees that EIB and EIF apply their respective rules, policies and procedures, including the EIB Group Non Cooperative Jurisdictions Policy ("NCJ") and the EIB Group Anti-Money Laundering and Combating Financing of Terrorism Framework, to address the requirements in respect of money laundering, terrorism financing, tax avoidance, tax fraud, and tax evasion contained in Article 22 of the EFSI Regulation and to reflect the prohibition to enter into new or renewed operations with entities incorporated or established in jurisdictions listed under the relevant Union policy on non-cooperative jurisdictions or that are identified as high-risk third countries.

None of the signed EFSI Guaranteed Operations were entered into with Financial Intermediaries incorporated in non-cooperative jurisdictions listed under the relevant Union policy. Moreover, the compliance with Article 155.2 (b) of the Financial Regulation is reported in the annual EIB EFSI report to the European Parliament and the Council.

Support combined with other Union actions

As of 31 December 2022, 62 EFSI operations also benefited from support stemming from shared management funds (European Structural and Investment Funds ("ESIF")) and other EU funds. Of these operations, 55 are under the IIW and 7 are under the SMEW. More details are available in the table below:

	EFSI operations co-financed with ESIF/other EU funds	
	Number	**Signed amount (EUR mn)**
IIW	55	4,883.95
SMEW	7	122.35
Aggregated	62	5,006.31

Under the SMEW, operations relate to investments into equity funds from EFSI. With respect to the Combinations product, for the portfolio for ESIF-EAFRD Greece, Portugal and Nouvelle Aquitaine, the EFSI ECP contribution will be made available to cover defaulted amounts after the first loss risk cover has been entirely used-up, as further specified in the relevant ECP mandate documentation.

The EFSI top-up (if and when activated) will account for a component of up to EUR 20 million, EUR 15 million and EUR 6 million for ESIF Nouvelle Aquitaine, ESIF-EAFRD Greece, Portugal respectively.

In addition to combinations with ESIF, there are five products under the SMEW where EFSI is combined with support from financial instruments from other programmes (COSME, InnovFin, EaSI and CCS).

1.1.2 Operational Performance

EFSI has significantly increased the volume of European Investment Bank Group financing and investment operations in priority areas. As of 31 December 2022, EFSI enabled the EIB Group to sign EUR 87.7 billion of riskier financing and investment operations.

The EIB Group signed 1 531 EFSI projects for a total investment mobilised of EUR 503.0 billion (compared to EUR 524.9 billion investment mobilised based on approved operations): EUR 288.0 billion for Infrastructure and Innovation Window investments (699 signed projects) and EUR 215.0 billion (832 signed projects) under the SME Window.

In terms of the EFSI financing signed, EFSI has benefitted all Member States (and the UK). As of 31 December 2022, the top beneficiary countries were France, Italy, Spain, Germany and Sweden. However, in terms of financing support relative to GDP, the top beneficiaries were Greece, Portugal, Spain, Estonia, and Bulgaria.

EFSI was designed with an investment target and an associated target multiplier of 15x. The EUR 500 billion target of investment mobilised is to be delivered based on an overall combined contribution under EFSI from the EU guarantee and the EIB's own resources of EUR 33.5 billion. As of 31 December 2022, the multiplier was 16.1.

EFSI operations were structured to maximise, where possible, the mobilisation of private sector capital. Of the EUR 503 billion of total investment mobilised under EFSI, EUR 363 billion involve private sector resources, which represents about 72%.

Key Figures (as at 31/12/2022)

Total amount of operations signed by counterparts (in EUR)	87,683,216,098
Total amount of operations disbursed (in EUR)	64,960,558,293
Amount transferred to final recipients (in EUR)[9]	396,613,878,435
Number of final recipients	841,957
Investments made by final recipients	502,953,219,007
Private sector resources mobilised	362,638,133,708
Leverage (ratio)	13
Multiplier effect (ratio)	16

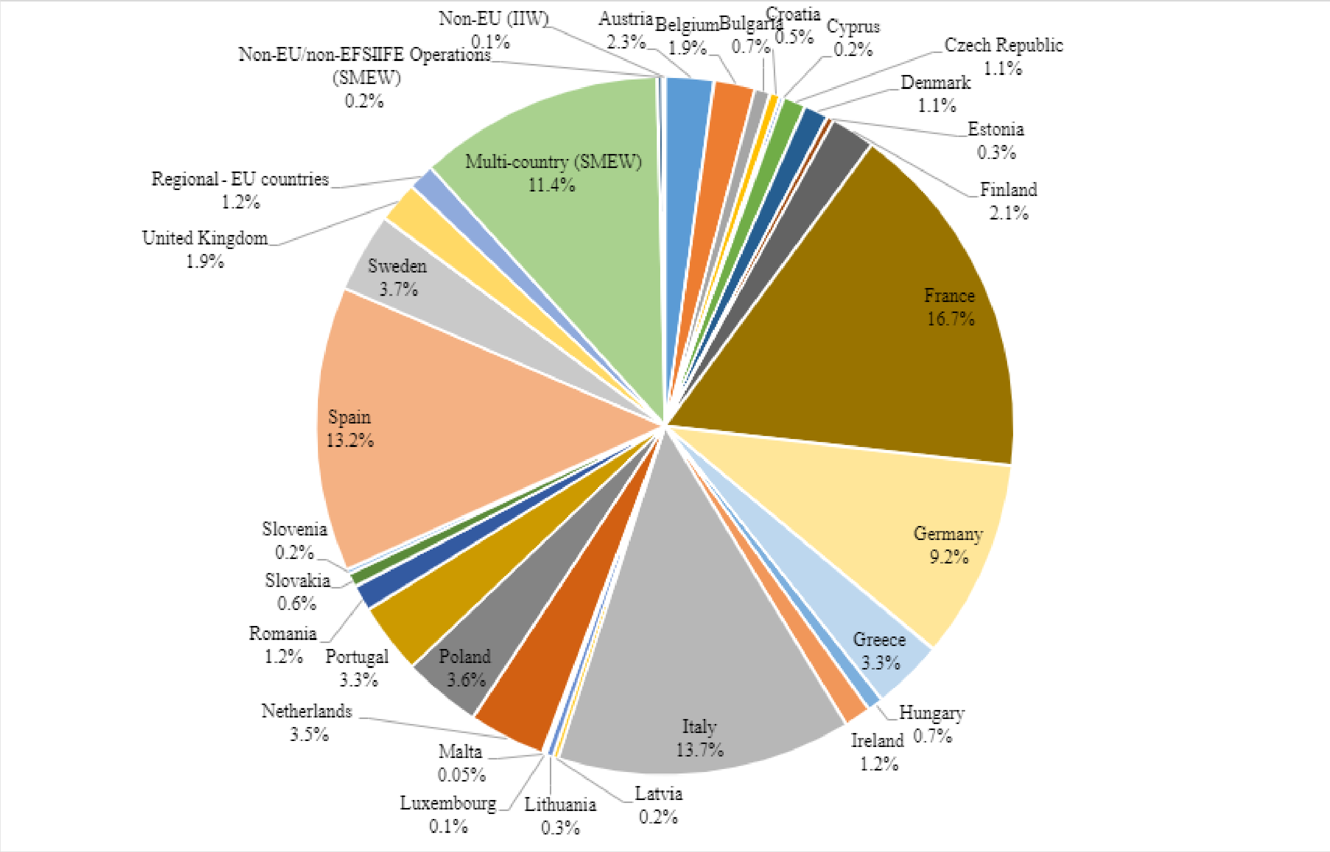
[9] Amount that is expected to be transferred when all the signed amounts would be disbursed.

Geographical diversification

As of 31 December 2022, operations were signed in the 27 EU Member States and the UK, with the largest amounts signed in France (EUR 14.6 billion), Italy (EUR 12 billion), Spain (EUR 11.6 billion), Germany (EUR 8 billion), Sweden, Poland, the Netherlands, Greece, and Portugal (circa EUR 3 billion each).

However, in terms of the signed amounts relative to GDP, the top beneficiary countries were Greece, Portugal, Spain, Estonia and Bulgaria.

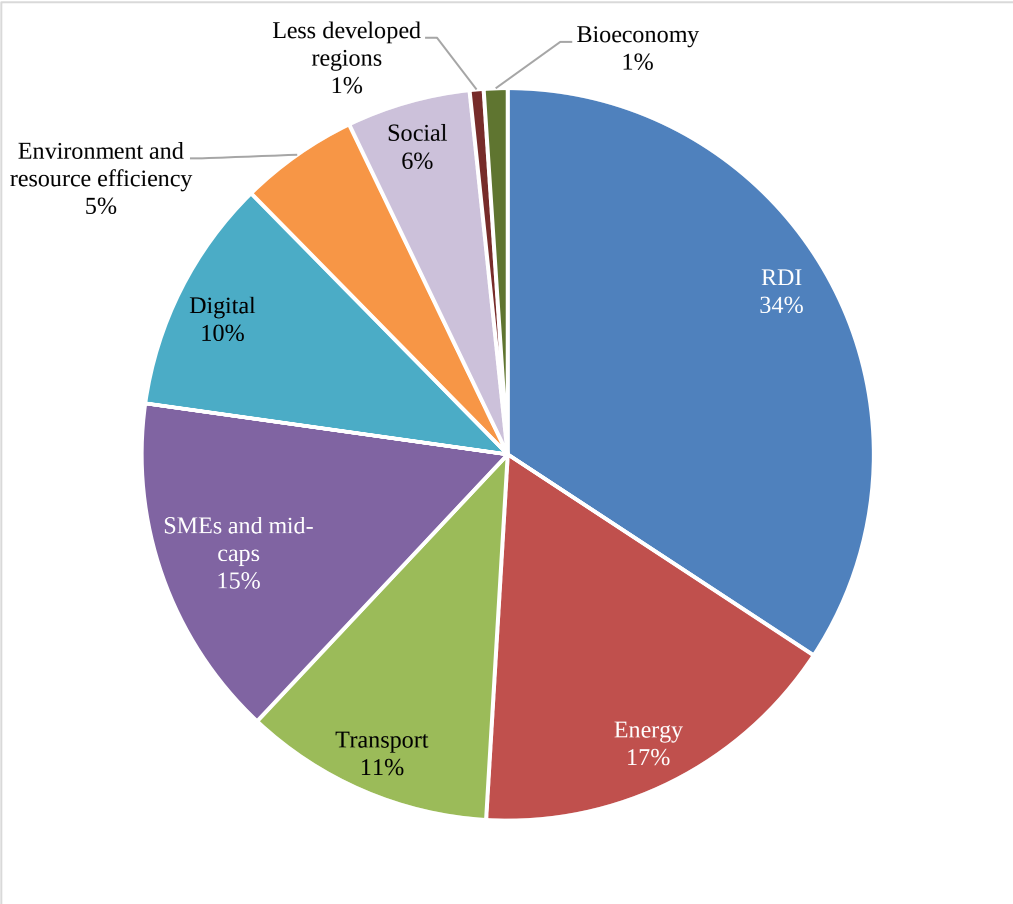
Chart: Signed amounts – breakdown per country



Sectoral diversification

As of 31 December 2022, operations were signed across 9 different sectors for a total amount of EUR 87.7 billion. The largest signed amounts were in Research Development & Innovation ("RDI") (signed operations for EUR 30.1 billion), Energy (signed operations for EUR 14.3 billion) and SME and mid-caps (signed operations signed for EUR 13.2 billion).

Chart: Signed amounts – breakdown per sector



Contribution to the achievement of the EFSI objectives

The objective of EFSI to mobilise EUR 500 billion investments by 2022 has been achieved and exceeded (i.e. EUR 524.9 billion investments and EUR 503 billion in respectively approved and signed amounts). This amount of investment is mobilised through 1531 signed operations implemented in 28 countries.

In total 43.3% of EFSI financing in the Infrastructure and Innovation Window supports project components that contribute to climate action.

1.1.3 Financial Information

Financial information at the level of budgetary guarantee

The available guarantee under EFSI, after deducting guarantee calls and other expenses covered by the guarantee, amounted to EUR 25.8 billion at the end of 2022. It covers the EU risk related to the operations signed by the EIB Group up to EUR 24.6 billion (EUR 18.3 billion for the IIW (including also IIW debt-type operations that were combined with InvestEU D1 and D2 portfolios) and EUR 6.4 billion for SME window).

The EU guarantee corresponding to outstanding EFSI operations disbursed by the EIB Group, (or by financial intermediaries in case of bank guarantee products) totals EUR 21 billion as of 31 December 2022.

all figures in EUR

	EU contingent and financial liability	
	31/12/2022	**31/12/2021**
Available guarantee signed with counterparts	25,793,335,637	25,825,743,277
EU risk for operations signed by counterparts	24,615,200,781	24,730,243,147
EU risk for operations signed by counterparts and disbursed	21,083,715,813	20,358,056,678

Under the EFSI Agreement, the European Union is entitled to a remuneration for its guarantee. Up to end 2022, the EU has received EUR 1.43 billion (out of which EUR 382 million in 2022) of revenues from the EIB, mainly from debt products, where the risk-related revenues are shared between the European Union and the EIB (commensurate to the risk taken).

The revenues have been partially used to cover the guarantee calls, fees and other expenses incurred under the guarantee under EFSI, while the remaining part has been recovered to the European Union budget as internal assigned revenues and used for the constitution of the EFSI compartment of the CPF.

all figures in EUR

	EU guarantee revenues	
	2022	**Cumulative until 31-12-2022**
EU guarantee revenues	381,810,282	1,427,681,031

To date, the guarantee covered calls of EUR 184 million, of which EUR 179 million related to defaulted operations and value adjustments for IIW portfolios and EUR 5 million to SMEW equity and/or quasi-equity operations (decrease in the fair value of investments). Should the value of those investments increase in the future, the amount called would be reimbursed to the European Union.

With respect to the defaulted operations, the EIB undertakes recovery proceedings on behalf of the European Union for as long as possible recovery proceedings are expected to lead to recoveries which exceed the costs of the recovery proceedings. The recoveries received so far amounted to EUR 1.6 million.

all figures in EUR

	Guarantee calls and recoveries	
	2022	**Cumulative until 31-12-2022**
Guarantee calls	21,648,855	183,939,668
Recoveries	0	1,555,897
Net guarantee calls	21,648,855	182,383,771

The cumulative fees due to the EIF for the implementation of the products under the SME window total EUR 255.5 million, which were mainly covered by the revenues due to the European Union under the guarantee. In addition, the EU has incurred EUR 32 million of other expenses (recovery costs, funding costs, other) cumulative out of which EUR 13 million in 2022.

all figures in EUR

	Expenses	
	2022	**Cumulative until 31-12-2022**
Fees to counterparts	24,054,115	255,457,987
Other expenses (recovery costs, funding costs, other)	12,960,931	31,950,753

Financial information at the level of product

all figures in EUR as of 31/12/2022

	IIW Debt Standard, combined with InvestEU D1 Portfolio	IIW Debt Hybrid, combined with InvestEU D2 Portfolio	IIW Equity Standard	IIW Equity NPB
Overview				
Effective	Yes	Yes	Yes	Yes
Counterpart	European Investment Bank	European Investment Bank	European Investment Bank	European Investment Bank
Description	Products and counterparts include - direct lending to public sector, direct lending to corporates and project finance, intermediated lending, credit enhancement for project finance, risk-sharing (partial delegation/de-linked), hybrid debt for regulated utilities. The EU covers 100% of the first loss piece (FLP), whereas the EIB retain the residual risk tranche (RRT).	Products and counterparts include - risk-sharing (full delegation), debt funds, and structured products (ABS/loan substitutes/ credit enhancements) The EU covers 100% of the FLP, whereas the EIB retain the RRT.	Products and counterparts include – infrastructure and climate equity funds, direct equity, co-investment with equity funds, debt funds, captive funds and/or Investment Platforms not sponsored by NPBs. The EU and the EIB cover pari passu (50%) in each equity-type operation included in the IIW Equity Standard Portfolio.	Products and counterparts include – captive funds and/or Investment Platforms sponsored by NPBs, equity risk sharing with NPB involvement. The EU covers 95% of the FLP, whereas the EIB retain 5% of the FLP and the RRT.
Maximum guarantee signed with counterpart	13,240,000,000	2,000,000,000	3,500,000,000	510,000,000
Operation type	Debt, Guarantee	Debt, Guarantee	Equity	Equity
Risk-sharing structure	FLP - 100% (EU guarantee)	FLP - 100% (EU guarantee)	pari passu - 50% (EU Guarantee) & 50% (EIB)	FLP - 95% (EU Guarantee) & 5% (EIB)
Cumulative operations signed by counterpart	47,849,169,348	6,037,604,150	6,426,617,256	447,215,511
Cumulative operations disbursed by counterpart	39,357,486,169	6,101,394,365	4,375,955,995	208,051,350
EU contingent and financial liability				
Available guarantee signed with counterpart	13,147,475,857	2,000,000,000	3,401,310,723	499,435,874
EU risk for operations signed by counterpart	13,147,475,857	2,000,000,000	2,697,779,415	414,952,542
EU risk for operations signed by counterpart and disbursed	13,147,475,857	2,000,000,000	1,705,483,821	185,040,442
Cumulative guarantee calls and recoveries				
Cumulative guarantee calls	88,406,422	0	81,015,928	9,631,123
Cumulative recoveries	1,555,897	0	0	0

Cumulative net guarantee calls	86,850,524	0	81,015,928	9,631,123
Notes	The EU guarantee was called to cover one defaulted operation in 2018. In addition, some restructuring losses and recovery costs for debt operations were covered. Regarding the defaulted operation, EUR 18,6 million were recovered initially; thus reducing the amount of the guarantee call. Subsequently, EUR 1.6 million was recovered. The operation is still reported as a subrogated.		The EU guarantee was called to cover six defaulted operations (one in 2019, three in 2021 and two in 2022). In addition, it covered value adjustments, funding costs and recovery costs for equity operations.	The EU guarantee was called to cover value adjustments and funding costs for equity NPB operations.
Cumulative expenses				
Fees to counterpart	0	0	0	0

all figures in EUR as of 31/12/2022

	SMEW InnovFin SMEG	**SMEW COSME LGF**	**SMEW EaSI**	**SMEW CCS**
Overview				
Effective	Yes	Yes	Yes	Yes
Counterpart	European Investment Fund	European Investment Fund	European Investment Fund	European Investment Fund
Description	The product is delivered in the form of a second loss enhancement of a portfolio of uncapped guarantees supporting lending provided by financial intermediaries to RDI-intensive SMEs and Small Mid-caps. The EU provides the FLP under the Horizon 2020 (InnovFin) financial instrument and, together with EFSI, provide a Junior Risk Tranche of 20%. The EIF takes Senior Risk Tranche of 80%. EFSI credit enhancement was introduced to increase the size of the Horizon 2020 debt financial instrument.	The product is in form of a second loss enhancement provided by EIB (guaranteed by EFSI) of a portfolio of capped guarantees supporting lending provided by financial intermediaries to riskier SMEs.The EU COSME financial instrument provides the FLP. EFSI credit enhancement was introduced to increase the size of the COSME debt financial instrument.	The instrument is provided in the form of capped guarantees covering portfolios of new financing made available by financial intermediaries for microfinance and to social enterprises. EU EaSI financial instrument and EFSI provide the FLP and second loss piece (SLP) respectively. EFSI credit enhancement increased the size of the EaSI financial instrument.	The CCS aims at increasing the guarantee capacity in order to enhance financing provided by financial intermediaries to eligible final recipients in the cultural and creative sectors. EU CCS financial instrument and EFSI provide the FLP and SLP respectively.
Maximum guarantee signed with counterpart	1,400,000,000	1,484,000,000	300,000,000	130,000,000
Operation type	Guarantee	Guarantee	Guarantee	Guarantee
Risk-sharing structure	SLP	SLP	SLP	SLP
Cumulative operations signed by counterpart	13,157,294,256	2,462,381,719	417,935,054	242,535,229
Cumulative operations disbursed by counterpart	10,064,186,784	2,115,227,788	324,212,740	165,657,618
EU contingent and financial liability				
Available	1,400,000,000	1,484,000,000	300,000,000	130,000,000

guarantee signed with counterpart				
EU risk for operations signed by counterpart	1,400,000,000	1,337,648,942	299,904,326	105,438,139
EU risk for operations signed by counterpart and disbursed	1,400,000,000	990,495,011	206,182,011	36,346,024
Cumulative guarantee calls and recoveries				
Cumulative guarantee calls	0	0	0	0
Cumulative recoveries	0	0	0	0
Cumulative net guarantee calls	0	0	0	0
Notes			There were amounts drawn for liquidity management purposes (e.g. non-euro hedging), which however did not reduce the available EU guarantee.	
Cumulative expenses				
Fees to counterpart	46,625,000	49,730,000	11,305,000	5,474,000

all figures in EUR as of 31/12/2022

	SMEW Equity Sub-window 1	**SMEW Equity Sub-window 2**	**SMEW PC Sub-window 1**	**SMEW PC Sub-window 2**
Overview				
Effective	Yes	Yes	Yes	No
Counterpart	European Investment Fund	European Investment Fund	European Investment Fund	European Investment Fund
Description	The Product aims at enhancing financing provided by financial intermediaries to SMEs, Small Mid-caps, Social Sector Organizations and Social Enterprise in growth stage. The risk is shared on a pari passu basis with EIB providing 95% financing (guaranteed by EFSI) and the EIF providing 5% of financing on its own risk.	The Product aims at enhancing financing provided by financial intermediaries to SMEs, Small Mid-caps, Social Sector Organizations and Social Enterprise in early stage. EU covers the Junior Tranche through InnovFIN Equity financial instrument which provides 45% of financing, whereas EFSI (26.5% of financing provided by EIB) and the European Investment Fund (28.5%) cover Senior Tranche.	The purpose of the Private Credit for SMEs and Small Mid-caps Product (SMEW PC Product) is to increase the volume and diversity of alternative debt financing available to European SMEs and Small Mid-Caps. The SMEW PC Product aims at contributing to the policy objective of a Capital Markets Union. Sub-window 1 is in a form of equity. EFSI covers the FLP (30% of financing provided by EIB) and the EIF the SLP (70% of financing).	Sub-window 2 is a guarantee provided to investors into debt funds. EFSI covers first loss piece (30%) and the European Investment Fund second loss piece (70%). With the 6th amendment of EFSI Agreement of April 2020, the allocations for sub-window 2 were set at 0 EUR, meaning that the product is not active as of 31 December 2020.
Maximum guarantee	2,320,000,000	430,000,000	250,000,000	0

signed with counterpart				
Operation type	Equity	Equity	Equity	Guarantee
Risk-sharing structure	Pari passu	Pari passu with Counterpart in Senior tranche	FLP	FLP
Cumulative operations signed by counterpart	2,256,273,462	1,591,440,972	771,650,000	0
Cumulative operations disbursed by counterpart	1,347,383,542	423,581,179	301,145,316	0
EU contingent and financial liability				
Available guarantee signed with counterpart	2,315,113,183	430,000,000	250,000,000	0
EU risk for operations signed by counterpart	2,215,940,566	423,581,179	231,690,354	0
EU risk for operations signed by counterpart and disbursed	909,532,521	189,913,982	231,690,354	0
Cumulative guarantee calls and recoveries				
Cumulative guarantee calls	4,886,195	0	0	0
Cumulative recoveries	0	0	0	0
Cumulative net guarantee calls	4,886,195	0	0	0
Cumulative expenses				
Fees to counterpart	113,814,140		14,204,885	0

all figures in EUR as of 31/12/2022

	SMEW ECP	SMEW ESCALAR	SMEW Skill & Education
Overview			
Effective	Yes	Yes	Yes
Counterpart	European Investment Fund	European Investment Fund	European Investment Fund
Description	The EFSI Combination Product (SMEW ECP Product) is a dedicated financial instrument that supports capped and uncapped portfolio guarantee instruments in the agriculture sector and could be adapted to enhancing access to finance for final recipients in support of other specific policy objectives. The product combines resources of EFSI with Member State or Managing Authority resources coming from either structural funds or investments funds, national resources, regional resources, or any combination thereof. Resources other than EFSI take first loss piece, and EFSI takes second loss piece in the risk sharing structure.	The purpose of the SMEW European Scale-Up Action for Risk Capital (ESCALAR) Product is to improve the availability of financing to European Scale-ups. It is a flexible equity instrument whereby the ultimate objective is to increase the attractiveness of the asset class and catalyse private money flows towards the asset class It is financed by EFSI which invests in or alongside other equity funds in a share class that is characterised by lower risk and lower reward profile.	The SMEW Skills and Education Product takes the form of a guarantee or a counter-guarantee extended to private or public financial intermediaries, which aims at providing finance for the benefit of the knowledge economy, education, training and skills transformation to facilitate a new wave of innovation and productivity. EFSI provides first loss piece and is the only risk taker.
Maximum guarantee signed with counterpart	86,000,000	300,000,000	50,000,000
Operation type	Guarantee	Equity	Guarantee
Risk-sharing structure	SLP	share class with lower risk-return profile	FLP
Cumulative operations signed by counterpart	98,774,964	263,807,477	42,485,762
Cumulative operations disbursed by counterpart	71,610,242	99,000,000	5,665,206
EU contingent and financial liability			
Available guarantee signed with counterpart	86,000,000	300,000,000	50,000,000
EU risk for operations signed by counterpart	34,496,223	263,807,476	42,485,762
EU risk for operations signed by counterpart and disbursed	10,306,831	65,583,754	5,665,206
Cumulative guarantee calls and recoveries			
Cumulative guarantee calls	0	0	0
Cumulative recoveries	0	0	0
Cumulative net guarantee calls	0	0	0
Notes			There were amounts drawn for liquidity management purposes (e.g. non-euro hedging), which however did not reduce the available EU guarantee.
Cumulative expenses			
Fees to counterpart	2,000,000	10,344,962	1,960,000

1.2 InvestEU

1.2.1 Description

Identification/Reference to the basic act
Regulation (EU) 2021/523 of the European Parliament and of the Council of 24 March 2021 establishing the InvestEU Programme and amending Regulation (EU) 2015/1017

Maximum amount of budgetary guarantee (in EUR)	**of which signed with counterparts**	**of which effective of 31/12/2022**
26,152,310,073[10]	21,280,363,333	21,280,363,333

of which ceiling authorised in the legal basis (in EUR)	**Counterparts**
26,152,310,073	EIB, EIF, CDP Equity, EBRD, CEB, NIB, CDC
of which from external contributions (in EUR)	
0	

Budget Lines
01 03 08

	Cumulative to 2022	**2023**	**2024**	**2025-2027**	**Total[11]**
Budgetary commitment appropriations (in EUR)	5,415,672,668	2,759,742,000	294,046,000	1,112,138,000	9,581,598,668
of which from voted budget	1,685,682,000	189,242,000	140,546,000	446,537,000	2,462,007,000
of which from NGEU	3,510,000,000	2,420,000,000	N/A	0	5,930,000,000
of which from fines	115,600,000	150,500,000	153,500,000	665,601,000	1,085,201,000
of which from internal assigned	103,628,158	p.m.	p.m.	0	103,628,158

[10] This amount does not include blending operations otherwise the guarantee capacity equals to EUR 26,411,055,112.

[11] EU compartment data only.

revenues					
of which from external assigned revenues	762,510	p.m.	p.m.	0	762,510
Budgetary payment appropriations (in EUR)	1,739,707,047	1,300,000,000	1,350,000,000	4,106,660,357	8,496,367,404[12]
of which from voted budget	284,346,644	100,000,000	150,000,000	1,927,660,357	2,462,007,000
of which from NGEU	1,351,000,000	1,200,000,000	1,200,000,000	2,179,000,000	5,930,000,000
of which from fines	0	0	0	0	1,085,201,000
of which from internal assigned revenues	103,628,158	p.m.	p.m.	0	103,628,158
of which from external assigned revenues	762,510	p.m.	p.m.	0	762,510

General description

The InvestEU programme aims to ensure an additional boost to investments fostering recovery, resilience, green growth and employment in the EU over the 2021-2027 period. This goal will be achieved by mobilising public and private financing sources, in order to provide long-term funding and support to companies and projects in line with the EU priorities in the current challenging economic and social context.

The InvestEU programme was established by Regulation (EU) 2021/523 of the European Parliament and of the Council of 24 March 2021 amending Regulation (EU) 2015/1017.

Implementation cycle

The InvestEU programme consists of:

- the **InvestEU Fund**, the successor of the European Fund for Strategic Investments (EFSI) and 13 other centrally-managed financial instruments. It operates through four policy windows that address market failures or sub-optimal investment situations within their specific scope;

[12] This amount includes EUR 277.6 million of payment appropriations to be done after 2027.

- the **InvestEU Advisory Hub**, the successor of the European Investment Advisory Hub (EIAH) and 12 other centrally-managed advisory programmes and initiatives; and
- the **InvestEU Portal**, the successor of the European Investment Project Portal (EIPP).

The InvestEU programme, including the InvestEU Fund, is a demand-driven instrument, responding to the investment and finance needs of public and private market participants.

The InvestEU Fund should support financing and investment operations with a higher risk profile that require risk-sharing through the EU budget, in order to unlock additional private and public finance.

The InvestEU programme aims at contributing to the necessary conditions for the competitiveness of the EU economy and industry (in accordance with Article 173 of the Treaty on the Functioning of the European Union). This is done by providing financial products designed to address EU-wide and Member State specific market failures and suboptimal investment situations, which cannot be sufficiently achieved by the Member States, but can better be realised at EU level.

In the context of the InvestEU programme, the Commission may implement blending operations (as also explained in Article 6 of the InvestEU Regulation) supported by different EU programmes and funds. In accordance with Article 10 of the InvestEU Regulation, Member States can also contribute on a voluntary basis to an InvestEU Member State compartment with Recovery and Resilience Facility funds, structural and cohesion funds and also with Member State own contributions.

For the provisioning of the EU guarantee implemented under the blending operations and also for the ones related to the InvestEU Member State compartments, separate InvestEU compartments were created in the Common Provisioning Fund.

InvestEU has the following specific objectives (policy windows):

1. supporting financing and investment operations related to sustainable infrastructure (Sustainable Infrastructure Window – SIW);

2. supporting financing and investment operations related to research, innovation and digitisation (Research, Innovation and Digitization Window – RIDW);

3. increasing access to and the availability of finance for small and medium-sized enterprises (SMEs) and for small mid-cap companies and enhancing their global competitiveness (SME Window – SMEW); and

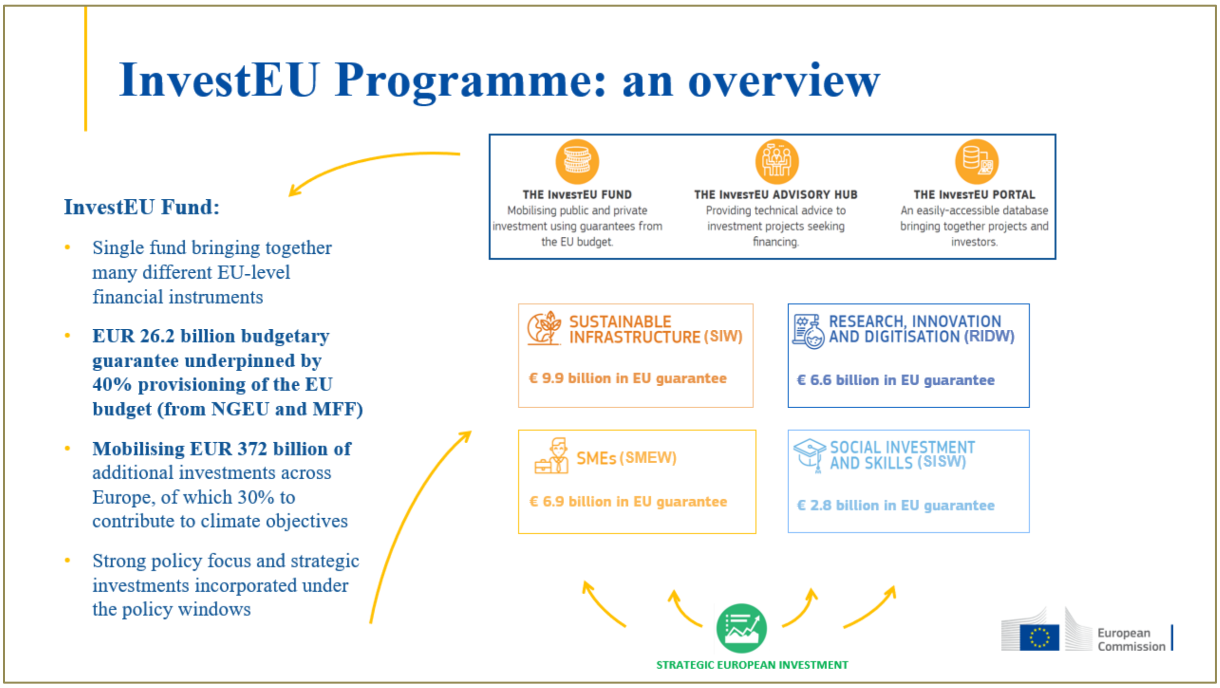
4. increasing access to and the availability of microfinance and finance for social enterprises, to support financing and investment operations related to social investment, competences and skills, and to develop and consolidate social investment markets (Social Investments and Skills Window – SISW).

Under the InvestEU Fund, the EU provides funding support through an EU budgetary guarantee of EUR 26.2 billion covering losses to the implementing partners. The budgetary guarantee is underpinned by an EU provisioning budget (including also EURI resources and assigned revenues from legacy instruments) of EUR 10.46 billion, which translates into a target provisioning rate of 40%.

Up to end 2022, EUR 5.4 billion was paid into the Common Provisioning Fund under the EU compartment, from which future calls on the EU guarantee are to be paid. The amount of budgetary commitments include EUR 1.8 billion from the EU general budget, EUR 3.51 billion from Next Generation EU and EUR 103.6 million internal assigned revenue from predecessor financial instruments.

Negotiations with various Member States concerning contributions to the Member State compartment of InvestEU were also successfully concluded in 2022. Five contribution agreements were signed with Romania, Bulgaria, Greece, Czechia and Finland. For the provisioning of the EU guarantee implemented under the InvestEU Member State compartment, in 2022 CPF compartments for Romania, Greece, Finland and Czechia were already set up.

In 2022, under the InvestEU Guarantee (Member State compartments of the CPF), EUR 112.5 million was transferred as external assigned revenue from two Member States (Romania and Greece), according to the schedules laid down in the signed contribution agreements. Also, as set out in the adopted partnership agreements and signed contribution agreements, the following appropriations were transferred in 2022 as contributions to the InvestEU Fund: EUR 131.6 million from the European Regional Development Fund for three Member States (Bulgaria, Czechia and Finland) and EUR 25 million from the Cohesion Fund for one Member State (Bulgaria).

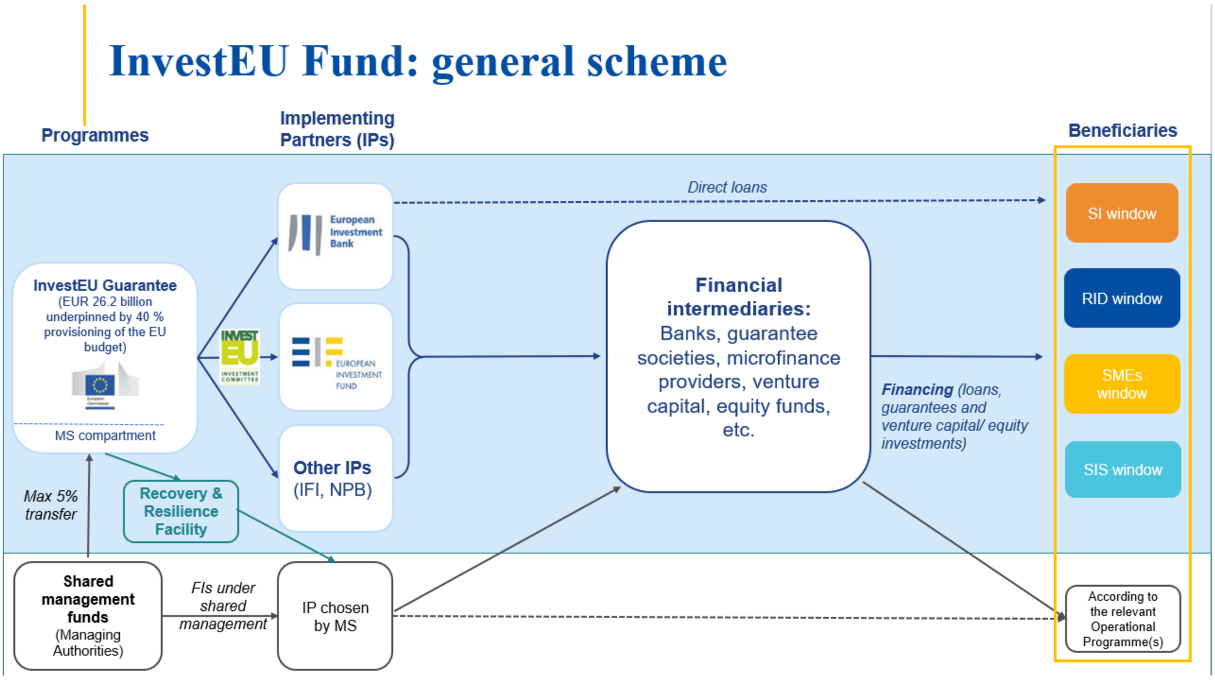


Implementation arrangements

InvestEU is implemented in indirect management through the European Investment Bank (EIB) Group and other implementing and advisory partners. DG Economic and Financial Affairs is the Authorising Officer in the Commission.

The programme is bringing together under one roof the multitude of EU financial instruments, budgetary guarantees and advisory services available to support investment in the EU. By providing a budgetary guarantee, InvestEU aims to make EU funding for investment projects in Europe simpler, more efficient and more flexible.

Implementation diagram



Duration

The investment period for the **approval** of operations will end on 31 December 2027, while contracts between the Implementing Partners and the final recipient or financial intermediary could be **signed** until 31 December 2028.

Given the long-term nature of support under the InvestEU, the EU guarantee coverage and operational monitoring will continue until all exposures and liabilities in relation to InvestEU operations have been fully discharged.

Added Value

The unprecedented domestic and global challenges that the world is currently facing have a significant impact on the EU economy. To pave the way for a sustained and inclusive growth – while raising the EU's global competitiveness, enhancing socio-economic convergence and the cohesion of the EU, and advancing the digital and green transitions – the EU needs increased investment, including in innovation, digitisation, the efficient use of resources and upgrading of skills and infrastructure. This, in turn, will require expanding the supply and diversifying the sources of external funding for EU businesses.

Intervention at EU level adds value by addressing market failures or sub-optimal investment situations (e.g., when, because of its public good nature, the full benefits of given investments cannot be captured by private agents, or the investment produces additional advantages beyond those flowing to the investing company or operator). The EU intervention can also help to reduce the investment gap in targeted sectors (e.g., in investments with a significant cross-border dimension or in sectors, countries, or regions where risk exceeds levels that private financial actors are able or willing to accept). Finally, an EU-level intervention can ensure that a critical mass of resources can be leveraged to maximise the impact of investment on the ground.

By supporting projects that provide EU added value, InvestEU is complementary to Member State investments. In addition, InvestEU provides for economies of scale in the use of innovative financial products by catalysing private investment across the EU.

Application of Article 155.2 FR

The guarantee agreements with the EIB, EIF and other implementing partners state that they should apply their respective rules, policies and procedures, including anti-money laundering and counter terrorist financing frameworks, to address the requirements in respect of money laundering, terrorism financing, tax avoidance, tax fraud, tax evasion contained in Article 17 of the InvestEU Regulation and to reflect the prohibition to enter into new or renewed operations with entities incorporated or established in jurisdictions listed under the relevant Union policy on non-cooperative jurisdictions or that are identified as high-risk third countries.

None of the InvestEU Guaranteed Operations signed so far were entered into with Financial Intermediaries incorporated in non-cooperative jurisdictions listed under the relevant Union policy.

Support combined with other Union actions

In 2022, EUR 258.7 million commitments were carried out under blending operations that combine InvestEU support with support provided under other EU programmes (including Horizon Europe, Digital Europe, European Space Programme, European Maritime Fisheries and Aquaculture Fund, and Creative Europe Media Programme), allocated to the EIB and the EIF to provide first loss protection to specific portfolios. In addition, EUR 50 million were allocated to the EIB for non-repayable transactions under the ‘Green Premium Agreement’. During 2022, no operations using the blended support were signed.

1.2.2 Operational Performance

The guarantee agreement with the EIB and the EIF (representing a 75% share of the total EU budget guarantee) was signed in March 2022. Several guarantee agreements with other implementing partners (under which EUR 1.4 billion was committed) were also signed in the fourth quarter of 2022: CDP Equity (from Italy); Council of Europe Development Bank (CEB); Nordic Investment Bank (NIB); European Bank for Reconstruction and Development Bank (EBRD) and Caisse des Dépôts et Consignations (CDC, from France).

As of 31 December 2022, only the EIB and the EIF had already operations approved by the Investment Committee and signed and therefore the financial data will only be presented for the EIB and the EIF.

InvestEU has increased the volume of European Investment Bank (EIB) Group financing and investment operations in EU priority areas. As of 31 December 2022, InvestEU enabled the EIB Group to sign EUR 6.26 billion of riskier financing and investment operations.

InvestEU has benefitted 21 Member States in 2022 which marked the first year of the implementation. As of 31 December 2022, the top beneficiary countries, in terms of the InvestEU financing signed were Spain, France, Germany and Finland.

InvestEU was designed with an investment multiplier of 14.2x and an expected investment mobilised of EUR 372 billion. As of 31 December 2022, the estimated investment mobilised in approved operations was EUR 70.0 billion.

Key Figures (as at 31/12/2022)[13]

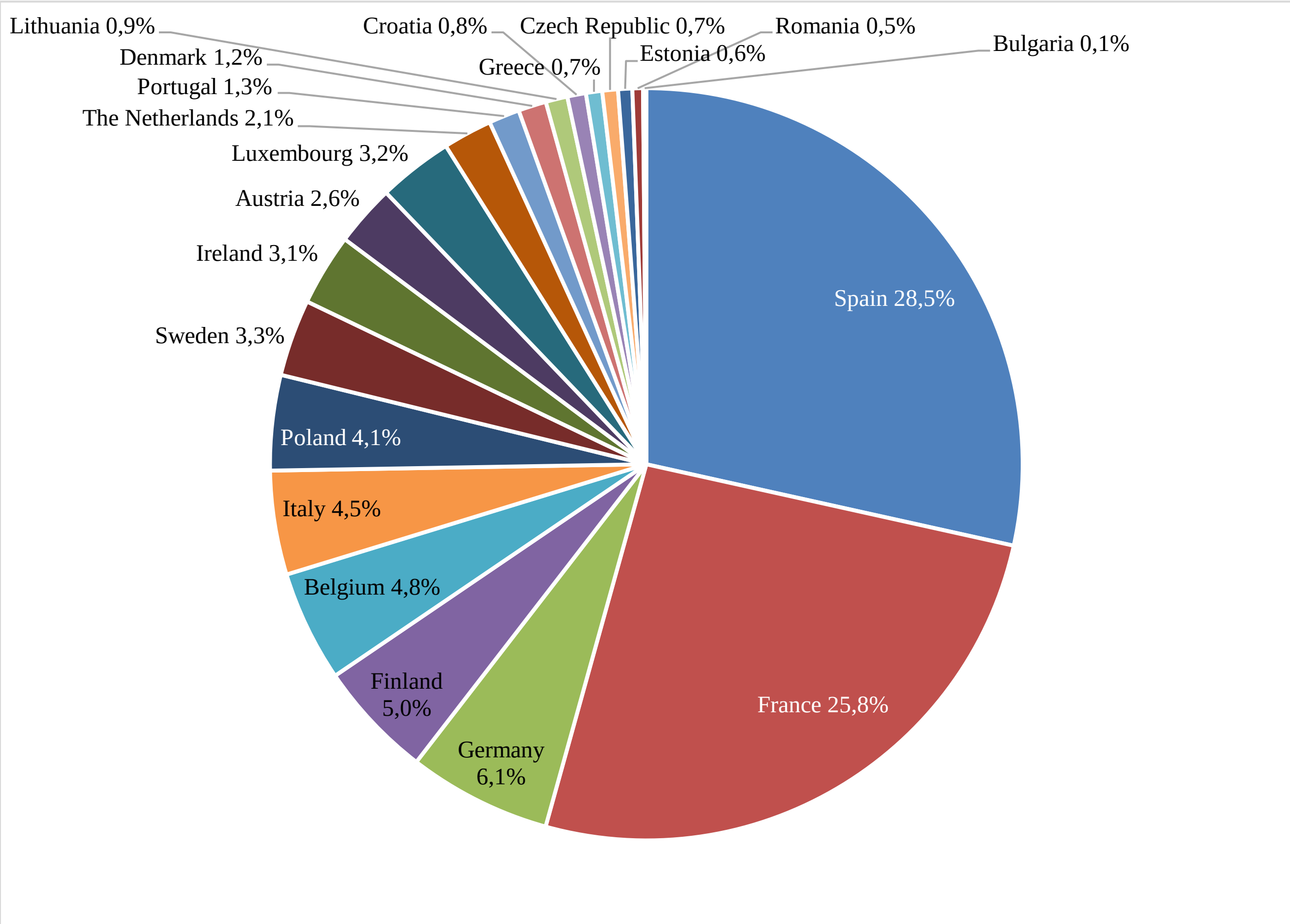
Total amount of operations signed by counterparts (in EUR)	6,258,371,291
Total amount of operations disbursed (in EUR)	808,362,394
Amount transferred to final recipients (in EUR)[14]	722,525,759
Number of final recipients	28
Investments made by final recipients	2,939,216,981
Private sector resources mobilised (in EUR)	1,586,864,354
Leverage (ratio)	4.14
Multiplier effect (ratio)	11.69

[13] These figures are based on disbursed operations.

[14] In 2022, only EIB made disbursements to final recipients.

Geographical diversification

Chart: Signed amounts – breakdown per country



As of 31 December 2022, operations were signed in the 21 EU Member States, with the largest amounts signed in Spain (EUR 1.78 billion), France (EUR 1.61 billion), Germany (EUR 384,8 million), Finland (EUR 315 million), Belgium (EUR 298.4 million), Italy (EUR 279.5 million) and Poland (EUR 256 million).

Contribution to the achievement of the InvestEU objectives

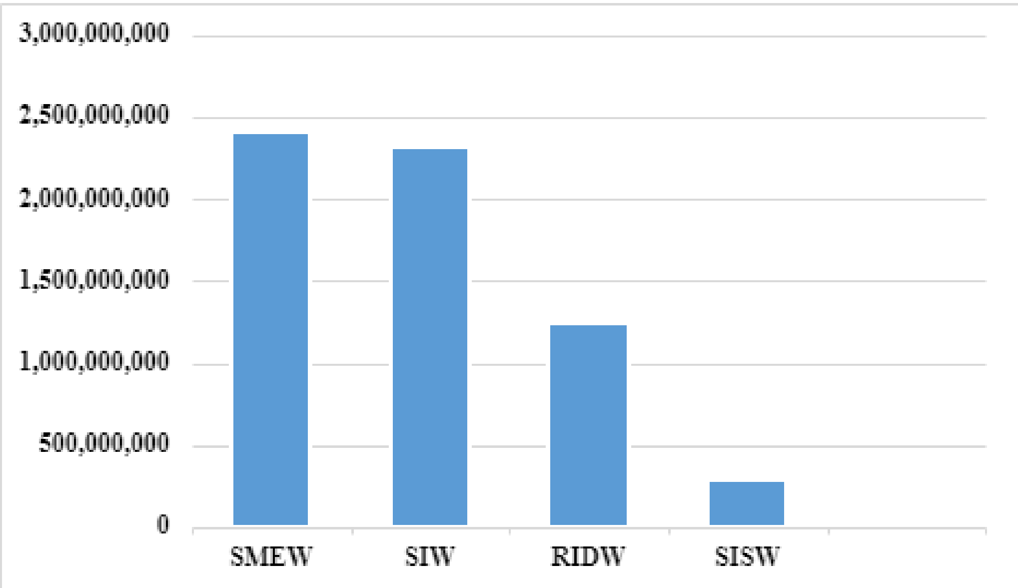
The objective of InvestEU to mobilise EUR 372 billion investments by 2027 is on track as well as the EURI targets (i.e. EUR 70.0 billion investments in approved operations at the end of 2022). This amount of investment is mobilised through EUR 17.4 billion approved operations[15] implemented in 21 countries.

As of 31 December 2022, operations were signed across the four policy windows for a total amount of EUR 6.26 billion. The largest signed amounts were in the SME and mid-caps window (signed operations for EUR 2.41 billion), with somewhat more modest amounts in the Sustainable Infrastructure window (signed operations for EUR 2.31 billion), the Research, Innovation, & Digitalisation window (signed operations for EUR 1.25 billion) and the Social Investment Skills window (signed operations for EUR 290.7 million).

The EIB signed EUR 1.6 billion of operations under SMEW, EUR 628 million under RIDW and EUR 130 million under SISW. An amount of EUR 509.7 million is not yet allocated to any window/product.

The EIF signed EUR 1.8 billion of operations under SIW, EUR 1.2 billion under joint SMEW/ RIDW financial product, EUR 685 million under SIW and 160 million under SISW. An amount of EUR 1.3 billion is not yet allocated to any window/product.

Diversification by Window



[15] Including framework operations.

1.2.3 Financial Information

Financial information at the level of budgetary guarantee

At the end of 2022, the available guarantee under InvestEU, after deducting guarantee calls and other expenses covered by the guarantee, amounted to EUR 21.28 billion out of which EUR 258.7 million in blending in the form of EU financial instruments.

The maximum guarantee amount signed with the EIB is EUR 8.6 billion (for the InvestEU Fund) and an additional EUR 100 million from blending (committed in 2022).

The maximum guarantee amount signed with the EIF is EUR 11.1 billion for the InvestEU Fund and an additional EUR 158.7 million from blending (committed in 2022).

The guarantee covers the risk related to the already signed operations of the EIB Group, which currently amount to EUR 6.26 billion (the EU risk is limited to 2.1 billion). EU risk in the InvestEU operations disbursed by the EIB Group, (or by financial intermediaries in case of bank guarantee products) as of 31 December 2022 total EUR 324 million (EUR 251.4 million for the EIB and EUR 72.8 million for the EIF).

all figures in EUR

	EU contingent and financial liability	
	31/12/2022	**31/12/2021**
Available guarantee signed with counterparts	21,280,363,333	N/A
EU risk for operations signed by counterparts	2,107,685,441	N/A
EU risk for operations signed by counterparts and disbursed	324,252,837	N/A

Under the InvestEU Agreement, the European Union is entitled to a remuneration for its guarantee. In 2022, the EU has received EUR 2.7 million (of revenues from the EIB where the risk-related revenues are shared between the European Union and the EIB).

The revenues have been partially used to cover the guarantee calls and other expenses incurred under the guarantee under InvestEU, while the remaining part has been recovered to the European Union budget as internal assigned revenues and used for the constitution of the InvestEU compartment of the CPF.

all figures in EUR

	EU guarantee revenues	
	2022	**Cumulative until 31-12-2022**
EU guarantee revenues	2,763,405	2,763,405

In 2022 the EIB, a call of EUR 70,470.34 in relation to the InvestEU share of the guarantee call under the D1 portfolio.

For the EIF, there were no guarantee calls related to operations covered by the InvestEU guarantee.

all figures in EUR

	Guarantee calls and recoveries	
	2022	**Cumulative until 31-12-2022**
Guarantee calls	70,470	70,470
Recoveries	0	0
Net guarantee calls	70,470	70,470

Expenses reported refer to the InvestEU share of the D1 portfolio.

all figures in EUR

	Expenses	
	2022	**Cumulative until 31-12-2022**
Fees to counterparts	9,245,734	9,245,734
Other expenses (recovery costs, funding costs, other)	330,943	330,943

Financial information at the level of product

all figures in EUR and as at 31/12/2022

	Guarantee Agreement EIB	Guarantee Agreement EIF	Guarantee Agreement CDP Equity
Overview			
Effective	Yes	Yes	Yes
Counterpart	EIB	EIF	CDP Equity
Description	The European Investment Bank (EIB) is the long-term lending institution of the European Union owned by its Member States. The Bank's investments under the InvestEU programme will cover EU projects operating in the following policy windows: - sustainable infrastructure; - research, innovation and digitisation; - social investment and skills. EIB was allocated a total EU guarantee of EUR 8.6 billion (including EUR 100 million of blending).	The European Investment Fund (EIF) supports Europe's SMEs by improving their access to finance by designing, promoting, and implementing equity and debt financing instruments targeting small business. The EIF investments under the InvestEU programme will cover EU projects operating in all InvestEU policy windows. EIF was allocated a total EU guarantee of EUR 11.2 billion (including EUR 159 million of blending).	CDP Equity is the equity investment company of Cassa Depositi e Prestiti, with the mission of pursuing the equity strategy of the Group. CDP Equity will support investments dedicated to the development of the Italian Venture Capital sector in the research, innovation and digitisation policy window.
Maximum guarantee signed with counterpart	8,658,232,554	11,214,745,039	312,000,000
Operation type	Debt-Type operations and Equity Type Operations which may include e instruments in the legal form of equity.	Guarantee and Equity Operations	Equity
Investment window	SIW, RIDW, SISW	SIW, RIDW, SMEW, SISW	RIDW
Cumulative operations signed by counterpart	2,382,150,000	3,876,221,291	0
Cumulative operations disbursed by counterpart	722,525,759	85,836,636	0
EU contingent and financial liability			
Available guarantee signed with counterpart	8,658,162,084	11,214,576,249	312,000,000
EU risk for operations signed by counterpart	463,095,024	1,644,590,417	0
EU risk for operations signed by counterpart and disbursed	251,430,024	72,822,813	0
Cumulative guarantee calls and recoveries			
Cumulative guarantee calls	70,470	0	0
Cumulative recoveries	0	0	0
Cumulative net guarantee calls	70,470	0	0
Cumulative expenses			
Fees to counterpart	0	9,245,734	0
Other expenses cumulative over all mandates	35,652	295,291	0

all figures in EUR and as at 31/12/2022

	Guarantee Agreement EBRD	Guarantee Agreement CEB	Guarantee Agreement NIB
Overview			
Effective	Yes	Yes	Yes
Counterpart	EBRD	CEB	NIB
Description	The European Bank for Reconstruction and Development (EBRD) will support investments in sustainable infrastructure and greener industry and services, research, innovation and digitisation as well as social housing. The geographical focus of the projects is in Bulgaria, Croatia, Czechia, Estonia, Greece, Hungary, Latvia, Lithuania, Poland, Romania, Slovak Republic and Slovenia.	The Council of Europe Development Bank (CEB) will support investments under the “social investment and skills” and “sustainable infrastructure” windows. This includes social, affordable and student housing; education, employment, and skills; health care, long-term care and social care; as well as clean and smart urban mobility, water and wastewater services, and flood protection. The portfolio will also support cross-cutting objectives such as gender equality and the inclusion of vulnerable groups, including persons with disabilities.	The Nordic Investment Bank (NIB) will support investments under the “sustainable infrastructure” and the “research, innovation and digitisation” windows. This includes investments in clean energy, the modernisation and decarbonisation of industry, critical raw materials supply, sustainable transport, environmental protection, bio-economy, digital connectivity and sustainable data infrastructure. The geographical focus of the projects is in Denmark, Estonia, Finland, Latvia, Lithuania, Poland and Sweden.
Maximum guarantee signed with counterpart	450,000,000	159,125,000	114,000,000
Operation type	Debt Financing	Debt Financing	Debt Financing
Investment window	SIW, RIDW, SISW	SIW, SISW	SIW, RIDW
Cumulative operations signed by counterpart	0	0	0
Cumulative operations disbursed by counterpart	0	0	0
EU contingent and financial liability			
Available guarantee signed with counterpart	450,000,000	159,125,000	114,000,000
EU risk for operations signed by counterpart	0	0	0
EU risk for operations signed by counterpart and disbursed	0	0	0
Cumulative guarantee calls and recoveries			
Cumulative guarantee calls	0	0	0
Cumulative recoveries	0	0	0
Cumulative net guarantee calls	0	0	0
Cumulative expenses			
Fees to counterpart	0	0	0
Other expenses (recovery costs, funding costs, other)	0	0	0

all figures in EUR and as at 31/12/2022

	Guarantee Agreement CDC
Effective	Yes
Counterpart	Guarantee Agreement CDC
Description	Caisse des Dépôts et Consignations (CDC) will support investments under the “social investment and skills” and “sustainable infrastructure” windows. These include investments in the areas of rehabilitation and restoration of industrial wasteland, the development of data centres as well as investment in industrial infrastructure to the benefit of innovative companies in France. CDC was allocated a total EU guarantee of EUR 372.5 million.
Maximum guarantee signed with counterpart	372,500,000
Operation type	Intermediated Equity and Debt Financing
Investment window	SIW, SISW
Cumulative operations signed by counterpart	0
Cumulative operations disbursed by counterpart	0
Available guarantee signed with counterpart	372,500,000
EU risk for operations signed by counterpart	0
EU risk for operations signed by counterpart and disbursed	0
Cumulative guarantee calls	0
Cumulative recoveries	0
Cumulative net guarantee calls	0
Fees to counterpart	0
Other expenses (recovery costs, funding costs, other)	0

1.3 European Fund for Sustainable Development

1.3.1 Description

Identification/Reference to the basic act		
Regulation (EU) 2017/1601 of the European Parliament and of the Council of 26 September 2017 establishing the European Fund for Sustainable Development (EFSD), the EFSD Guarantee and the EFSD Guarantee Fund		
Maximum amount of budgetary guarantee (in EUR)	**of which signed with counterparts**	**of which effective of 31/12/2022**
1,548,968,935	1,548,700,000	1,390,700,000
of which ceiling authorised in the legal basis (in EUR)	**Counterparts**	
1,500,000,000	Agence Française de Développement (AFD), Agencia Española de Cooperación Internacional para el Desarrollo (AECID), Cassa Depositi e Prestiti (CDP), Compañía Española de Financiación del Desarrollo (COFIDES), European Bank for Reconstruction and Development (EBRD), European Investment Bank (EIB), International Finance Corporation (IFC), Kreditanstalt für Wiederaufbau (KfW), Nederlandse, Financierings-Maatschappij voor Ontwikkelingslanden (FMO), PROPARCO	
of which from external contributions (in EUR)		
48,968,935		
Budget Lines		
01 03 08		

	Cumulative to 2022	2023	2024	2025-2027	Total
Budgetary commitment appropriations (in EUR)	399,718,935	0	0	0	399,718,935
of which from voted budget	350,000,000	0	0	0	350,000,000
of which from internal assigned revenues	750,000	N/A	N/A	0	750,000
of which from external assigned revenues	48,968,935	N/A	N/A	0	48,968,935
Budgetary payment appropriations (in EUR)	399,718,935	0	0	0	399,718,935
of which from voted budget	350,000,000	0	0	0	350,000,000
of which from internal assigned revenues	750,000	N/A	N/A	0	750,000
of which from external assigned revenues	48,968,935	N/A	N/A	0	48,968,935

General description

The European Commission has established the European Fund for Sustainable Development ("EFSD") to support investments and increase access to financing, primarily in Africa and the Neighbourhood.

The investments help to bridge the gap between the financing already available and the financing still needed to meet the UN Sustainable Goals. The EFSD Guarantee serves as a risk mitigation mechanism to leverage private sector financing (whilst avoiding market distortions) and to crowd-in private sector funds. The EFSD Guarantee is a new way of financing development projects.

The EFSD Guarantee shares the risk involved in investing, so that development banks and private investors come in and lend to local entrepreneurs or finance development projects. By doing so, the EFSD Guarantee contributes to job creation and helps to boost economies. More jobs and higher growth make countries more stable and prosperous. Consequently, by supporting investments, the EFSD Guarantee addresses specific socioeconomic root causes of migration, including irregular migration, and contributes to the sustainable reintegration of migrants returning to their countries of origin and to the strengthening of transit and host communities.

The EFSD Guarantee was established by Regulation (EU) 2017/1601 of the European Parliament and of the Council of 26 September 2017 establishing the European Fund for Sustainable Development (EFSD), the EFSD Guarantee and the EFSD Guarantee Fund.

Individual guarantee agreements focus on five key sectors:

1. small business financing;
2. sustainable energy and connectivity;
3. local currency financing;
4. digitalisation;
5. sustainable cities.

Implementation cycle

Following the Communication from the Commission in September 2016 on the "External Investment Plan", the Regulation establishing the European Fund for Sustainable Development was adopted in September 2017.

Immediately after the Regulation was adopted, the Commission and Member States established the EFSD Governance structure. In turn, discussions between Member States, the European External Action Service and the Commission led to the establishment of the 'investment windows', which set sectoral priorities for the EFSD Guarantee. The Commission invited partner financial institutions to propose investment programmes to be covered by the EFSD Guarantee.

The response by the financial institutions was very positive. The EFSD was heavily oversubscribed i.e. the requests from the financial institutions exceeded the capacity of the EFSD Guarantee by over EUR 2 billion. The Commission received 46 proposals from 12 partner institutions for a total value of more than EUR 3.5 billion. From a performance assessment perspective, this is an indication that the instrument was well designed. The high number of requests revealed that there was a significant market gap that the EFSD is addressing.

The EFSD Regulation set an ambitious target for contracting and aimed to end the contracting period on 31 December 2020. The financial structures involved required significant negotiations between the Commission, the partner financial institutions, and the Guarantee Technical Assessment Group (“GTAG”), a body specialised in financial risk assessment established for EFSD.

The Commission successfully negotiated the first guarantee agreement, the NASIRA programme with the Dutch Development Bank, FMO, at the end of 2018. Six more agreements followed in 2019, displaying the strong growth in the capacity of EFSD to turn proposals into signed guarantee agreements. As of 31 December 2020, the Commission exhausted the present capacity of the EFSD Guarantee after having signed 18 Guarantee Agreements with 10 partner institutions for a total guarantee amount of EUR 1.5 billion. All commitment and payment appropriations for the year 2020 were fully exhausted. After this, partner financial institutions have four years to use the EFSD Guarantee in support of the EU policy priorities.

Over the past year, there was an increased uptake of EFSD in our partner countries. The implementation of the EFSD is increasing in both extent and magnitude. Operations signed by our counterparts increased by approximately 45%. This shows steady progress of implementation towards achieving objectives. A similar increase in disbursed amounts shows that our partner financial institutions are signing deals with their counterparts on the ground, which is particularly positive considering that the increase in disbursements translates into impact in our partner countries. Some countries and sectors, though eligible, are facing certain investment bottlenecks due to excessive liquidity, while others still face regulatory barriers and difficult commercial contexts which lead to smaller pipelines for potential investment.

One of the Guarantees, the RECIDE Guarantee from AECID, the Spanish development agency, was cancelled due to difficulties in developing a pipeline within the required investment period. This period appeared too limited for the envisaged complex urban projects, particularly due to the impact of the COVID crisis on these kinds of investments. Despite this setback, this cancellation frees up risk capacity for some other EFSD guarantees, which can be useful given the need for additional risk-taking caused by the deterioration in many markets following the Russian military aggression against Ukraine. 2022 saw the first call on the EFSD Guarantee, following a small default. That being said, the fact that there was this (relatively small) call is not necessarily a negative sign, because an absence of calls might suggest a too prudent investment strategy for the investments under EFSD guarantee – in particular when this concerns a portfolio of loans with relatively short tenors, such as MSME financing.

Several interesting transactions in North Africa and East Africa provided support to targeted groups like youth, women, and migrant entrepreneurs. Another transaction to support access to finance marks the first operation in Palestine for the EFSD Guarantee. 2022 also saw the EFSD Guarantee support Ukraine. A guarantee was provided to facilitate loans for emergency liquidity following the onset of the invasion where critical power generation infrastructure was taken under the control of, or destroyed by, Russia’s invasion. The proceeds are used for working capital needs related to daily critical operations to continue a stable and secure supply of electricity to people in Ukraine.

These are important examples of how the EFSD can offer opportunities to achieve EU objectives and support EU partner countries even in more vulnerable segments of the economy or in difficult times. Of note, part of the guarantee provided by the EFSD to the COVAX facility was repaid with approximately EUR 130 million still outstanding. Support to the COVAX I and II facilities, from the EFSD and EFSD+, facilitated the distribution of hundreds of millions of vaccine doses to EU partner countries. The implementation of this programme backed by the EFSD and EFSD+ Guarantee marks a particular success in 2022.

Implementation arrangements

The EFSD Guarantee is implemented by the eligible counterparts in indirect management. The approval process of individual guarantee agreement is a multi-stage process, culminating in a Commission Decision on each Proposed Investment Programme (PIP) to be supported by the EFSD Guarantee, based on both the information provided by the eligible counterparts in their application form and the recommendation of the Operational Boards.

Following the adoption of a Commission Decision, the Commission proceeds to conclude a guarantee agreement with each eligible counterpart. Each EFSD guarantee agreement is specifically designed to take into account both the specificities of the EFSD Guarantee and of the specific PIP. The financial structures involved require significant negotiations between the Commission, the partner Financial Institutions, and the Guarantee Technical Assessment Group, a body specialised in financial risk assessment established for the EFSD Guarantee.

All eligible counterparts to a guarantee agreement must be pillar-assessed entities. At the present stage, these entities are all public or private institutions with a public service mission. These are mostly Member States' national development finance institutions and multilateral development finance institutions. At this moment, no private entity has been pillar assessed and therefore deemed an eligible counterpart to co-sign an EFSD guarantee agreement.

As of 31 December 2021, the list of counterparts is the following:

- Agence Française de Développement (AFD)
- Agencia Española de Cooperación Internacional para el Desarrollo (AECID) - ***cancelled***
- Cassa Depositi e Prestiti (CDP)
- Compañía Española de Financiación del Desarrollo (COFIDES)
- European Bank for Reconstruction and Development (EBRD)
- European Investment Bank (EIB)
- International Finance Corporation (IFC)
- Kreditanstalt für Wiederaufbau (KfW)
- Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden (FMO)
- PROPARCO

Duration

The EFSD Guarantee was established by Regulation (EU) 2017/1601 of the European Parliament and of the Council of 26 September 2017 establishing the European Fund for Sustainable Development ("EFSD"), the EFSD Guarantee and the EFSD Guarantee Fund.

Pursuant to Article 8 of the EFSD Regulation, the investment period, during which guarantee agreements for supporting investment programmes can be concluded with the eligible counterparts, lasted until 31 December 2020.

Eligible counterparts subsequently have four years as from the effective date of the guarantee agreement to conclude agreements for underlying operations with co-financing partners, financial intermediaries, or final recipients. The duration of the guarantees extended to eligible counterparts under each guarantee agreement should as a general rule not exceed fifteen years.

Added value

The EFSD Guarantee uses scarce public resources in an innovative way to mobilise public and private investment, thereby creating growth and employment opportunities, maximising additionality, delivering innovative products and crowding-in private sector funds.

It is important to notice that the investment period has only recently approached the halfway point and the duration of many of the guarantees is over ten years. The innovative EFSD Guarantee will be used to reduce the risks for investment in sustainable development in partner countries, thus helping mobilise investment, especially from private investors. EFSD should allow investors and private companies, in particular micro, small and medium-sized enterprises (MSMEs), to contribute more effectively to sustainable development in partner countries. EFSD aims to address market failures and suboptimal investment situations and encourage private sector financing. EFSD should also foster the creation of decent jobs, economic opportunities and entrepreneurship, equitable access to, and use of, natural resources.

Application of Article 155.2 FR

When implementing the EFSD guarantee agreements, financial institutions are contractually obliged to comply with applicable Union law and agreed international and Union standards and, therefore, not support actions that contribute to money laundering, terrorism financing, tax avoidance, tax fraud or tax evasion. Financial institutions may not enter into agreements with entities established in jurisdictions listed under the relevant Union policy on non-cooperative jurisdictions or that are identified as high-risk third countries pursuant to Article 9(2) of Directive (EU) 2015/849, or that do not effectively comply with Union or internationally agreed tax standards on transparency and exchange of information.

In addition, when concluding agreements with financial intermediaries, entities implementing EFSD Guarantees must transpose these requirements into the relevant agreements. The financial intermediaries are also obliged to report on the observance of these requirements.

In the reporting period, financial institutions did not report any issues.

Support combined with other Union actions

In 2022, the EU contributed an additional EUR 2 million for Technical Assistance related to EFSD guarantees. In general, EFSD Technical Assistance funds preparation of a pipeline of bankable, high-quality projects that will attract private financing and building of capacities of local financial intermediaries and beneficiaries to structure and roll out investments under EFSD. In some cases, technical assistance also contributes to the improvement of the investment climate – enabling governments to enact reforms to make their countries more attractive places to invest in. With some Technical Assistance contracts cancelled as a result of cancelled guarantees, at the end of 2022 the total amount of Technical Assistance accompanying the EFSD guarantee agreements was approximately EUR 100 million.

1.3.2 Operational Performance

In the course of 2022, partner financial institutions continued and increased the implementation of the guarantee agreements signed under the EFSD. Many of the guarantee agreements were signed towards the end of 2020 and have only now reached the halfway point for their investment period and began implementation with their first inclusion notices arriving in 2021.

The RECIDE Guarantee had to be cancelled due to difficulties faced by the implementing partner.

The Commission established an EFSD Results Measurement Framework which is used in the guarantee agreements. It covers three levels: (1) the EFSD as a whole, including both the EFSD Guarantee and the blending operations; (2) the Investment Platforms and Investment Windows; (3) the investment programmes under the EFSD Guarantee and the projects under the blending operations. The Commission is responsible for monitoring and reporting under the first two levels, based on a set of pre-defined indicators. At programme and project level, the reporting on expected and actual operational results is the responsibility of the lead financial institution. The list of indicators, the frequency and the reporting format are part of the guarantee agreements signed with the financial institutions.

It is important to notice that the investment period is still on-going and has only recently begun for several agreements, and the duration of many of the guarantees is over ten years. This means that in practice the implementing partners are still in the process of signing the underlying agreements.

With cumulative disbursements still growing, the remaining nine guarantee agreements excluding COVAX, which was not meant to leverage investments, let to an average leverage ratio of 1.47.

The following table summarizes the key operational figures presented above:

Key Figures (as at 31/12/2022)

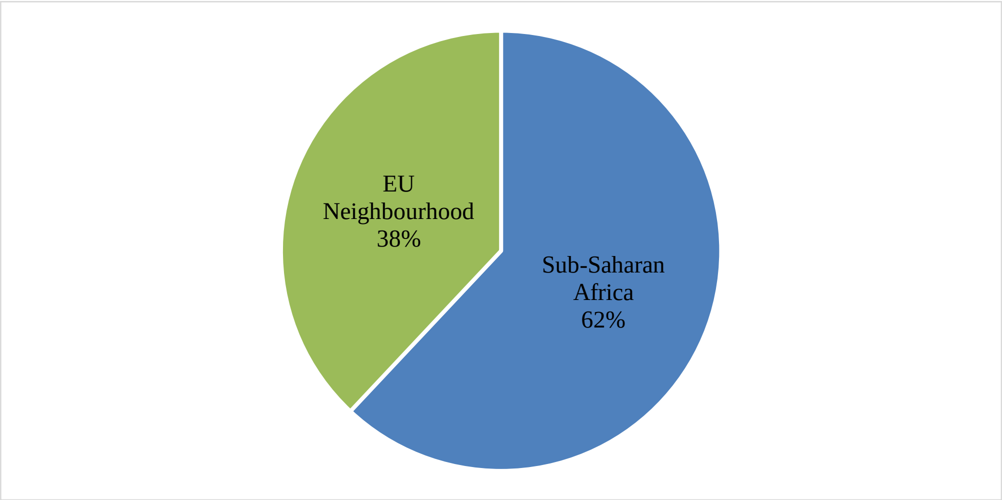
Total amount of operations signed by counterparts (in EUR)	897,258,525
Total amount of operations disbursed (in EUR)	685,537,560
Amount transferred to final recipients (in EUR)	N/A
Number of final recipients	N/A
Investments made by final recipients	N/A
Private sector resources mobilised (in EUR)	1,252,614,873
Leverage (ratio)	1.47
Multiplier effect (ratio)	1.47

Geographical diversification

As of 31 December 2022, EUR 400 million of the EFSD Guarantee went to COVAX, including EUR 265.1 million from other PIPs (62%) to Sub-Saharan Africa and then EUR 382.8 million (26% out of the total operations signed) to the EU Neighbourhood.

The EIB processed the full disbursement of the EUR 400 million COVAX Facility on 31 March 2021. As of December 2021, EUR 139.3 million vaccine doses were distributed to the 47 approved countries under the COVAX I & II facilities, for a total value of EUR 680 million. In terms of donation volumes from eligible donors, on 31 December 2022, Gavi (i.e. the Global Alliance for Vaccines) counted EUR 1.7 billion in AMC (i.e. Advance Market Commitments) donations assigned to the COVAX facility, that will be gradually utilised to purchase additional doses over the coming months.

Chart: EFSD geographical breakdown[16]

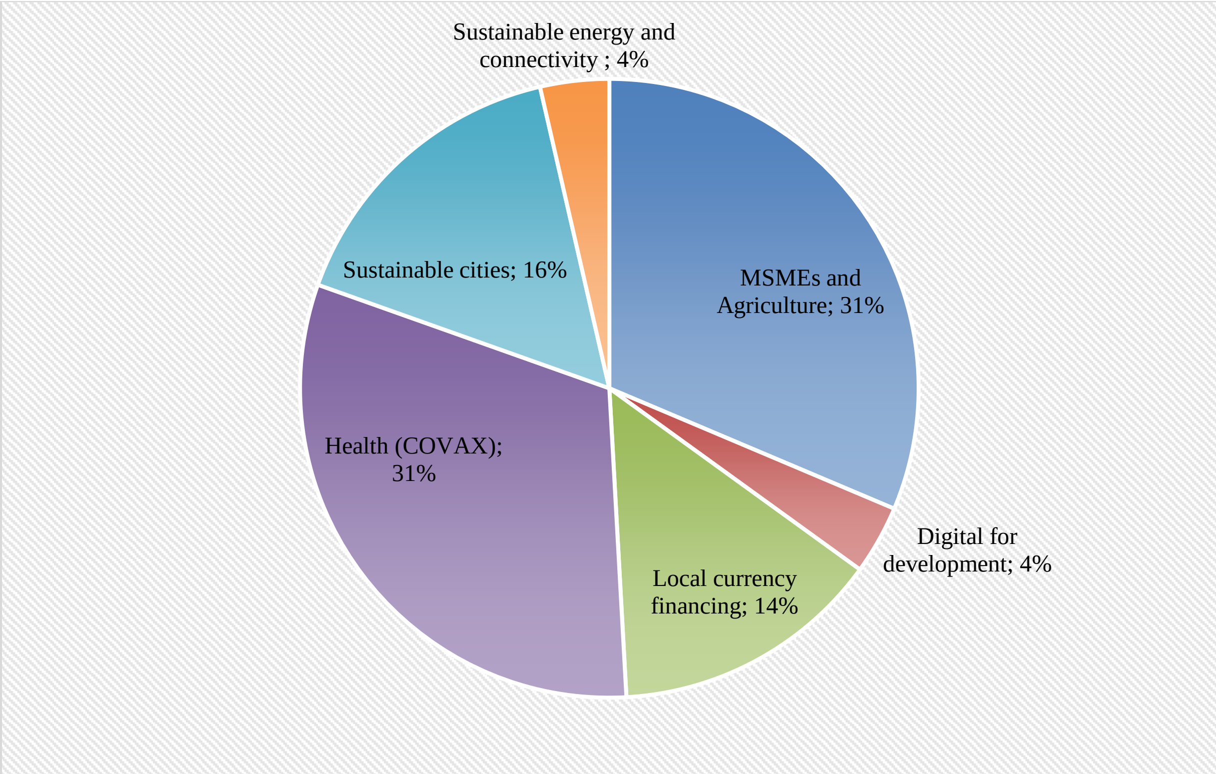


[16] EIB SME Access to Finance Initiative not yet allocated.

Sectoral diversification

As of 31 December 2022, EUR 400.6 million went to MSMEs and Agribusiness (31% out of the total operations signed) EUR 46 million (4%) went to Sustainable energy and connectivity, EUR 204 million (16%) to sustainable cities, EUR 46 million (4%) went to Digitalisation for development, EUR180.8 million went to local currency financing (14%) and EUR 400 million (31%) went to Health in relation to COVAX.

Chart: EFSD sectorial diversification



1.3.3 Financial Information

Financial information at the level of budgetary guarantee

As of 31 December 2022, seventeen EFSD guarantee agreements were signed and effective with the total guarantee cover limit amounting at EUR 1.18 billion. The operations signed by the counterparts under those agreements totalled EUR 897.2 million, with the EU risk for those operations capped at EUR 534.2 million. The EU risk related to the amounts disbursed by the counterparts amounted to EUR 446.1 million. Given that the programme is in the ramp up phase, the EU risk at the level of operations signed and disbursed is expected to increase in the coming years.

all figures in EUR

	EU contingent and financial liability	
	31-12-2022	**31-12-2021**
Available guarantee signed with counterparts	1,176,016,341	1,390,700,000
EU risk for operations signed by counterparts	534,233,207	610,668,652
EU risk for operations signed by counterparts and disbursed	446,132,493	535,250,632

all figures in EUR

	EU guarantee revenues	
	2022	**Cumulative until 31-12-2022**
EU guarantee revenues	1,248,765	2,078,724

all figures in EUR

	Guarantee calls and recoveries	
	2022	**Cumulative until 31-12-2022**
Guarantee calls	882,366	882,366
Recoveries	0	0
Net guarantee calls	0	0

all figures in EUR

	Expenses	
	2022	**Cumulative until 31-12-2022**
Fees to counterparts	0	0
Other expenses (recovery costs, funding costs, other)	0	0

Financial information at the level of guarantee agreement

	NASIRA Risk-Sharing Facility - Financing for underserved entrepreneurs	Ventures Programme - Empowering entrepreneurs for sustainable development	Archipelagos - One Platform for Africa - Supporting African SMEs throughout their lifecycle and developing capital markets
Overview			
Effective	Yes	Yes	Yes
Counterpart	FMO	FMO	CDP
Description	NASIRA addresses the high risks, both perceived and real, involved in lending to entrepreneurs who currently have limited or no access to finance in countries neighbouring the EU and in Sub-Saharan Africa. It encourages local banks to lend to borrowers who would usually be considered too risky, such as migrants, women, young people or COVID-19 affected small and medium-sized enterprises (SMEs). With this guarantee, we are addressing the root causes of migration, including irregular migration. This guarantee will generate EUR 1.1 billion investment to provide affordable loans to these entrepreneurs. It does so by offering local financial institutions, such as banks and microfinance institutions, portfolio guarantees. These cover several loans and partially secure the repayment of the principal amount of the loan.	VENTURES promotes sustainable development by: - enabling the development and growth of young companies; - contributing to healthy small local businesses. It is doing so by bringing scarce private investment to the venture sector, which are start-ups and innovative firms with the potential for rapid growth but associated with a high risk. It will boost investment especially for innovative start-ups that use digital solutions to improve or enable access to digital products and services for communities having no or limited access to either. The resulting investment will address some of the root causes of migration by creating jobs. It will also contribute to climate and environmental protection. The guarantee enables FMO, the Dutch development bank, to pursue direct and indirect investment for digital solutions.	ARCHIPELAGOS – One Platform for Africa (ONE4A)- supports high-potential African small and medium-sized enterprises (SMEs) in reaching their next stage of growth by accelerating access to debt financing (notably by piloting innovative capital markets solutions) and enabling financing partners to share the risk of investing in projects. This will allow high-potential African SMEs to: - mobilise financing and scale up investments - drive enterprise development - create new jobs - generate sustainable economic growth - improve the quality of life in Africa. It will also strengthen Africa's SME capital markets, making them effective intermediaries for mobilising resources for the private sector. This benefits in particular low-income countries with less developed capital markets. ONE4A spreads best business practices and know-how to SMEs. It also enables a smaller number of high-growth SMEs, currently perceived as too risky, to obtain funding from institutional investors.
Maximum guarantee signed with counterpart	100,000,000	40,000,000	30,000,000
Operation type	Portfolio guarantees	Layered Fund	Portfolio guarantees
Risk-sharing structure	Second loss	First loss	First loss
Cumulative operations signed by counterpart	239,034,370	46,004,640	0
Cumulative operations disbursed by counterpart	159,097,423	32,603,436	0
EU contingent and financial liability			
Available guarantee signed with counterpart	100,000,000	40,000,000	30,000,000
EU risk for operations signed by counterpart	35,094,218	15,334,880	0
EU risk for operations signed by counterpart and disbursed	19,053,737	10.893.311,40	0
Cumulative guarantee calls and recoveries			
Cumulative guarantee calls	0	0	0
Cumulative recoveries	0	0	0
Cumulative net guarantee calls	0	0	0
Cumulative expenses			
Fees to counterpart	0	0	0
Other expenses (recovery costs, funding costs, other) cumulative over all mandates	0	0	0

all figures in EUR and as at 31/12/2022

	Framework to Scale-up Renewable Energy Investments - more clean power generation thanks to more certainty for investors	Resilient City Development (RECIDE) - Making investment in urban infrastructure more compelling	Africa Energy Guarantee Facility
Overview			
Effective	Yes	Cancelled	Yes
Counterpart	EBRD	AECID	KfW
Description	This guarantee supports renewable energy investments by addressing finance barriers to viable power projects and crowding-in private sector investment. As a result, it will: - unlock the countries' renewable energy potential - promote wider renewable energy development - demonstrate how the private sector can play a role in meeting growing demand for power. This matters because public money is insufficient to cover the large-scale investment needed, and private investment can help make projects operate more efficiently. The EU guarantee provided to the European Bank for Reconstruction and Development (EBRD) is passed on to lenders, such as local commercial banks. This allows them to provide financing to projects alongside the EBRD's own loans. By doing so, this guarantee enables the development of multiple private, renewable energy projects, which aim to significantly reduce CO2 emissions and introduce a number of new private investors to the sector and countries, supporting its transition to a low-carbon economy.	RECIDE was interned to help cities in Africa and the EU Southern Neighbourhood to develop public-private partnerships and share the risks with private investors in urban infrastructure. This will include investment in: - energy efficiency - flood protection - public transport - water and sanitation - solid waste management. The EU guarantee aims to protect private financiers and investors against certain government-related risks in developing urban infrastructure, such as offtake risk. This is the risk of not being paid by utility companies (off takers) for the service or goods produced and sold. The EU guarantee: - reassures lenders that they'll recover at least some of their investment in the event of losses - lowers the interest rate for borrowers - ensures that public-private partnership concessionaires will be paid as promised by government authorities.	African Energy Guarantee Facility (AEGF) aims to contribute to the promotion of renewable energy solutions to meet growing demand, address bottlenecks to private investments and bridge the gap between real and perceived risks in the African energy market. The Facility boosts private investments in sustainable energy projects in Sub-Saharan Africa, both expanding access to clean energy and contributing to economic growth. It helps cut the region's carbon emissions, increase energy efficiency and enables many more people to access energy.
Maximum guarantee signed with counterpart	50,000,000	-	46,000,000
Operation type	Single project guarantees	-	Portfolio guarantees
Risk-sharing structure	First loss, Pari Passu	-	Second loss
Cumulative operations signed by counterpart	0	-	44,146,212
Cumulative operations disbursed by counterpart	0	-	1,082,177
EU contingent and financial liability			
Available guarantee signed with counterpart	50,000,000	-	46,000,000
EU risk for operations signed by counterpart	0	-	46,000,000
EU risk for operations signed by counterpart and disbursed	0	-	1,019,969
Cumulative guarantee calls and recoveries			
Cumulative guarantee calls	0	-	0
Cumulative recoveries	0	-	0
Cumulative net guarantee calls	0	-	0
Cumulative expenses			
Fees to counterpart	0	-	0
Other expenses (recovery costs, funding costs, other)	0	-	0

all figures in EUR and as at 31/12/2022

	SME Access to Finance Initiative	European Health Platform	EFSD municipal, infrastructure and industrial resilience programme
Overview			
Effective	Yes	Yes	Yes
Counterpart	EIB	EIB	EBRD
Description	SME Access to Finance Initiative aims to increase financial inclusion in Sub-Saharan Africa and the EU Neighbourhood. The Initiative targets small and medium-sized enterprises (SMEs) as well as groups with limited or no access to finance, particularly: - start-ups; - women-led businesses; - businesses led by young people. The overriding goal is to address some of the root causes of migration. The Initiative will facilitate access to finance for local SMEs, especially for those who currently have no or limited access to finance. It will do so through partial portfolio guarantees. These will allow local banks to take on more risk and improve lending conditions by offering lower interest rates and/or reducing collateral requirements.	European Health Platform – this guarantee with the European Investment Bank (EIB) will reduce and remove financing constraints for accessing vaccines and health diagnostic services. It has two parts, which focus on improving: - access to future COVID-19 vaccines in Africa and the EU Neighbourhood, - access and quality of health-related diagnostic services for low-income populations in Sub-Saharan Africa, particularly in rural areas.	EU Municipal, Infrastructure and Industrial Resilience Programme will bolster industrial, building, municipal and sustainable infrastructure investments to address the negative impact of the COVID-19 pandemic on businesses, assets and employment in the EU Southern and Eastern Neighbourhood. It will also support the transitioning to green, low-carbon and climate-resilient economies by supporting investments in: - green city infrastructure - green logistic chains - energy efficiency - green technology transfers in industrial processes, commercial operations and buildings. The Programme will help improve infrastructure and municipal services, increase energy and water efficiency and create jobs in the EU Neighbourhood.
Maximum guarantee signed with counterpart	100,000,000	458,000,000	100,000,000
Operation type	Portfolio guarantees	Single project guarantees + full cover over bullet loan	Single project guarantees
Risk-sharing Structure	First loss	Other - COVAX part of this PIP features a full guarantee; non-COVAX part-first loss	First loss
Cumulative operations signed by counterpart	193,750,000	400,000,000	187,707,320
Cumulative operations disbursed by counterpart	40,732,108	400,000,000	150,707,320
EU contingent and financial liability			
Available guarantee signed with counterpart	99,631,896	188,000,000	100,000,000
EU risk for operations signed by counterpart	30,631,896	130,000,000	76.287.768
EU risk for operations signed by counterpart and disbursed	9,423,263	130,000,000	76.097.768
Cumulative guarantee calls and recoveries			
Cumulative guarantee calls	882,366	0	0
Cumulative recoveries	0	0	0
Cumulative net guarantee calls	882,366	0	0
Cumulative expenses			
Fees to counterpart	0	0	0
Other expenses (recovery costs, funding costs, other)	0	0	0

all figures in EUR and as at 31/12/2022

	InclusiFI	AFD's European Guarantee for Renewable Energy – Non-Sovereign (EGRE NS)	AgreenFI - Agricultural and Rural Finance Guarantee Programme with AfD
Overview			
Effective	Yes	Yes	Yes
Counterpart	CPD	AFD	AFD
Description	InclusiFI aims at financial inclusion driven by diasporas, leveraging private financing to foster inclusive and sustainable entrepreneurship and MSMEs growth. This guarantee increases the financing available for local entrepreneurs in Sub-Saharan and Northern Africa, who currently struggle to access the loans or capital they need to start or expand their businesses. It will particularly support small businesses led by women, young people and migrants. As a result, the Programme will help to reduce inequality and create jobs.	European Guarantee for Renewable Energy (non-sovereign) with AFD will increase access to sustainable energy to meet growing energy demand in Sub-Saharan Africa and the EU Neighbourhood. It will reduce the offtake risk of energy projects, which is the risk of not getting paid for the energy produced. It will give investors more certainty and thus a bigger incentive to invest in or to finance a renewable energy project. The support for renewable energy projects will help partner countries' economies become low-carbon and climate resilient.	The Agricultural and Rural Finance Guarantee Programme (AgreenFi) addresses the high risks, both perceived and real, in lending to micro-, small and medium-sized enterprises (MSMEs) in Sub-Saharan Africa and the EU Neighbourhood, who currently have no or limited access to finance. It will facilitate access to finance and/or make borrowing money more affordable in particular for small businesses operating in agriculture and located in rural areas.
Maximum guarantee signed with counterpart	60,000,000	50,000,000	91,500,000
Operation type	Combination: portfolio and single project guarantees	Single project guarantees	Single project guarantees
Risk-sharing structure	First and second loss	First loss	First and second loss
Cumulative operations signed by counterpart	2,000,000	0	0
Cumulative operations disbursed by counterpart	2,000,000	0	0
EU contingent and financial liability			
Available guarantee signed with counterpart	59,888,889	50,000,000	91,500,000
EU risk for operations signed by counterpart	888,889	0	0
EU risk for operations signed by counterpart and disbursed	888,889	0	0
Cumulative guarantee calls and recoveries			
Cumulative guarantee calls	0	0	0
Cumulative recoveries	0	0	0
Cumulative net guarantee calls	0	0	0
Cumulative expenses			
Fees to counterpart	0	0	0
Other expenses (recovery costs, funding costs, other)	0	0	0

all figures in EUR and as at 31/12/2022

	AgreenFI - Agricultural and Rural Finance Guarantee Programme with PROPARCO - COVID-19 response	EU Market Creation Facility – TCX - Capacity Component	EU Market Creation Facility – TCX - Pricing Component
Overview			
Effective	Yes	Yes	Yes
Counterpart	PROPARCO	KfW	KfW
Description	PROPARCO's Covid 19 Response Component to Agricultural and Rural Finance Guarantee Programme (AgreenFI) aims at catalysing investment and support for local agricultural businesses in riskier environments and aiming at improving liquidity and access to finance to smallholder farms and agri/rural micro, small and medium enterprises (MSMEs), especially those impacted by the COVID-19 pandemic.	TCX - Capacity Component - This guarantee addresses this excess demand for local currency financing. In many parts of Sub-Saharan Africa and the EU Neighbourhood the demand for borrowing money in local currency is higher than the market supply. In development finance, loans are typically denominated in USD, Euro or Japanese Yen. This causes serious problems to borrowers in the event of an external shock like the COVID-19 pandemic, triggering a severe fall in the value of the local currency in which the borrowers earn their income. Solutions protecting against foreign exchange rate risk, so-called hedging solutions, exist but they are often not readily available or look expensive. The guarantee aims to improve access to hedging solutions and thereby allow for the development of lending products that lift the exchange rate risk from the shoulders of the borrower.	TCX - Pricing Component - aims at increasing access to local currency indexed borrowing to institutions based in Sub-Saharan Africa and the European Neighbourhood and to address short- and medium-term funding requirements triggered by the ongoing global health crisis. European Guarantee for Renewable Energy – Non Sovereign (EGRE NS) with CDP is aiming to improve certainty of payments for investors under offtake contracts in renewable energy projects in Africa and addressing the offtakers' non-payment risk which is considered critical for the development of independent power producers.
Maximum guarantee signed with counterpart	68,200,000	145,000,000	20,000,000
Operation type	Portfolio guarantees	Portfolio guarantees	Portfolio guarantees
Risk-sharing structure	First and second loss	Pari-passu	First loss
Cumulative operations signed by counterpart	34,992,790	145,000,000	35,812,827
Cumulative operations disbursed by counterpart	33,752,790	145,000,000	35,812,827
EU contingent and financial liability			
Available guarantee signed with counterpart	65,995,556	145,000,000	20,000,000
EU risk for operations signed by counterpart	34,995,556	145,000,000	20,000,000
EU risk for operations signed by counterpart and disbursed	33,755,556	145,000,000	20,000,000
Cumulative guarantee calls and recoveries			
Cumulative guarantee calls	0	0	0
Cumulative recoveries	0	0	0
Cumulative net guarantee calls	0	0	0
Cumulative expenses			
Fees to counterpart	0	0	0

Other expenses (recovery costs, funding costs, other)	0	0	0

all figures as at 31/12/2022

	CDP: European Guarantee for Renewable Energy – Non-Sovereign (EGRE NS)	Renewable Energy Support Programme	Small Loan Guarantee Programme
Overview			
Effective	Yes	Yes	Yes
Counterpart	CDP	COFIDES	IFC
The Renewable Energy Support Programme for mainly rural areas of Sub-Saharan Africa will help to develop and finance renewable energy projects, which are not connected to the electricity distribution networks, so-called off-grid and mini-grid projects. It targets rural and peri-urban areas in Sub-Saharan Africa and areas without access to energy.	European Guarantee for Renewable Energy – Non-Sovereign (EGRE NS) with CDP is aiming to improve certainty of payments for investors under offtake contracts in renewable energy projects in Africa and addressing the offtakers' non-payment risk which is considered critical for the development of independent power producers.	The Renewable Energy Support Programme for mainly rural areas of Sub-Saharan Africa will help to develop and finance renewable energy projects, which are not connected to the electricity distribution networks, so-called off-grid and mini-grid projects. It targets rural and peri-urban areas in Sub-Saharan Africa and areas without access to energy.	The Small Loan Guarantee Programme to be implemented by the International Finance Corporation (IFC), encourages local banks and finance institutions in the EU Neighbourhood and in Africa to scale up lending to micro, small and medium enterprises (MSMEs). It especially targets businesses in agriculture, education, health, engaged in climate change activities, impacted by the COVID-19 pandemic, including those led by women. To do so, the Programme will provide risk-sharing facilities along with advisory services to improve the availability of loan, guarantee and other financing facility products relevant for small businesses. This will help business owners particularly in low income, fragile and conflict-affected countries to access finance, grow and expand their businesses. It is expected that the implementation of the Programme would also boost economic growth, create jobs and reduce poverty in the partner countries.
Maximum guarantee signed with counterpart	12,000,000	20,000,000	58,000,000
Operation type	Single project guarantees	Single project guarantees	Portfolio guarantees
Risk-sharing structure	First loss	Second loss	First loss
Cumulative operations signed by counterpart	0	0	0
Cumulative operations disbursed by counterpart	0	0	0
EU contingent and financial liability			
Available guarantee signed with counterpart	12,000,000	20,000,000	58,000,000
EU risk for operations signed by counterpart	0	0	0
EU risk for operations signed by counterpart and disbursed	0	0	0
Cumulative guarantee calls and recoveries			
Cumulative guarantee calls	0	0	0
Cumulative recoveries	0	0	0
Cumulative net	0	0	0

guarantee calls			
Cumulative expenses			
Fees to counterpart	0	0	0
Other expenses (recovery costs, funding costs, other)	0	0	0

1.4 External Lending Mandate

1.4.1 Description

Identification/reference to the basic act
ELM 2014-2020: Decision No 466/2014/EU of the European Parliament and of the Council of 16 April 2014 granting an EU guarantee to the European Investment Bank against losses under financing operations supporting investments projects outside the Union; and Decision (EU) 2018/412 of the European Parliament and of the Council of 14 March 2018 amending Decision No 466/2014/EU granting an EU guarantee to the European Investment Bank against losses under financing operations supporting investment projects outside the Union. **ELM 2007-2014:** Council Decision No 2006/1016/EC of 19 December 2006 granting a Community guarantee to the European Investment Bank against losses under loans and loan guarantees for projects outside the Community. **ELM 2000-2007:** Council Decision No 2000/24/EC of 22 December 1999 granting a Community guarantee to the European Investment Bank against losses under loans for projects outside the Community (Central and Eastern Europe, Mediterranean countries, Latin America and Asia and the Republic of South Africa). **ELM Old Mandates and Financial Protocols before 2000** comprises many basic acts focused on specific geographical areas which are not listed here.

Maximum amount of budgetary guarantee (in EUR)	of which signed with counterparts
70,869,500,000	70,869,500,000
of which ceiling authorised in the legal basis (in EUR)	**Counterpart**
70,869,500,000	European Investment Bank
of which from external contributions (in EUR)	
0	

Budget Lines
Provisioning of the GFEA: 2021-2027: 14 02 01 70 (part) - Provisioning of the legacy GFEA compartment of the CPF 2014-2020: 01 03 06 - Provisioning of the Guarantee Fund for external actions 2007-2013: 01 04 01 14 - Provisioning of the Guarantee Fund 2000-2006: 01 04 01 13 - Reserve for loans and loan guarantees to and in non-member countries 01 04 01 14 - Payments to the Guarantee Fund in respect of new operations

	Cumulative to 2022	2023	2024	2025*	Total
Budgetary commitment appropriations (in EUR)	2,170,203,903	315,846,900	162,900,512	36,000,000	2,684,951,315
of which from voted budget	2,170,203,903	315,846,900	162,900,512	36,000,000	2,684,951,315
of which from internal assigned revenues	0	N/A	N/A	N/A	0
of which from external assigned revenues	0	N/A	N/A	N/A	0
Budgetary payment appropriations (in EUR)	2,170,203,903	315,846,900	162,900,512	36,000,000	2,684,951,315
of which from voted budget	2,170,203,903	315,846,900	162,900,512	36,000,000	2,684,951,315
of which from internal assigned revenues	0	N/A	N/A	N/A	0
of which from external assigned revenues	0	N/A	N/A	N/A	0

**Indicative. To be further specified on the basis of end-2023 data, in accordance with the ex-post provisioning method set out in the GFEA Regulation.*

General description

The ELM Decisions (i.e. pre-2000 Protocols and related legislative acts, Council Decision No 2000/24/EC, Council Decision No 2006/1016/EC and Decision No 466/2014/EU of the European Parliament and of the Council, amended by Decision (EU) 2018/412) represent the legal basis for the Union having granted to the European Investment Bank (EIB) a set of budgetary guarantees for financing operations carried out outside the Union (hereinafter the "EU guarantee" or "External Lending Mandate", "ELM").

The respective decisions lay down provisions to ensure that EIB financing under the ELM is consistent with corresponding EU assistance policies, programmes and instruments in the different regions. Under the ELM 2014-20, 64 countries outside the EU were eligible for EIB financing operations under the EU budgetary guarantee (following amendments introduced to the ELM Decision in 2018).

Based on the ELM Decision No 466/2014/EU, the Commission concluded a Guarantee Agreement with the EIB in 2014. The maximum ceiling of the EIB financing operations under EU guarantee was set at EUR 30 billion, broken down into a fixed maximum ceiling of EUR 27 billion and an optional additional amount of EUR 3 billion.

The Guarantee Agreement was amended and restated in 2018 (Decision (EU) 2018/412). In response to the 2015-2016 refugee crisis, this amending ELM Decision introduced the Economic Resilience Initiative (ERI) to contribute to addressing the root causes of migration. A key component of the ERI was the expansion, in both quantitative and qualitative terms, of the EIB External Lending Mandate to enable the Bank to provide additional financing to private-sector beneficiaries, with a view to crowding in private investments and boosting long-term investment. The maximum ceiling for the EIB financing operations under the EU guarantee for the 2014-20 mandate was therefore increased to EUR 32.3 billion.

In order to include long-term economic resilience as an additional objective of the ELM Decision, EUR 1.4 billion was earmarked for public sector investments addressing the needs of refugees and host communities (within the general mandate of EUR 30 billion), and a specific 'ERI Private Mandate' of EUR 2.3 billion (on top of the general mandate of EUR 30 billion) was created to guarantee private-sector investments supporting long-term economic resilience.

A further amendment to the ELM Guarantee Agreement was concluded in 2020 to increase the country limit for Lebanon within the ERI Private Mandate (this possibility eventually remained unused) and one additional amendment was signed in 2021 to extend the duration of the ELM until end 2021, as envisaged by Article 49 of the NDICI-Global Europe Regulation.

Since the amendment of the ELM Decision in 2018, the EU budget was able to guarantee EIB financing operations of up to EUR 32.3 billion (signed in 2014-2020, later extended until end-2021). The EU liability under this guarantee is based on a portfolio cap.

The portfolio cap is defined in Article 1(4) of the ELM Decision in a dynamic way: *"The EU guarantee shall be restricted to 65% of the aggregate amount disbursed and guaranteed under EIB financing operations, less amounts reimbursed, plus all related amounts".* As the overall amounts disbursed and repaid are constantly changing, the 65% threshold is also constantly changing.

Implementation cycle

While the European Parliament and the Council reached a political agreement on the Regulation establishing the ELM's successor at the end of 2020, the NDICI-Global Europe Regulation was not adopted by end-2020 and therefore the time period for signatures under the ELM as set out in the ELM Decision was "automatically" extended by six months, until the end of June 2021.

As the NDICI Regulation was only adopted in June 2021 and in order to mitigate the risk of business disruptions in ELM regions, the NDICI-Global Europe Regulation amended the ELM Decision by providing:

- an extension of the investment period under the ELM EU Guarantee until 31 December 2021,

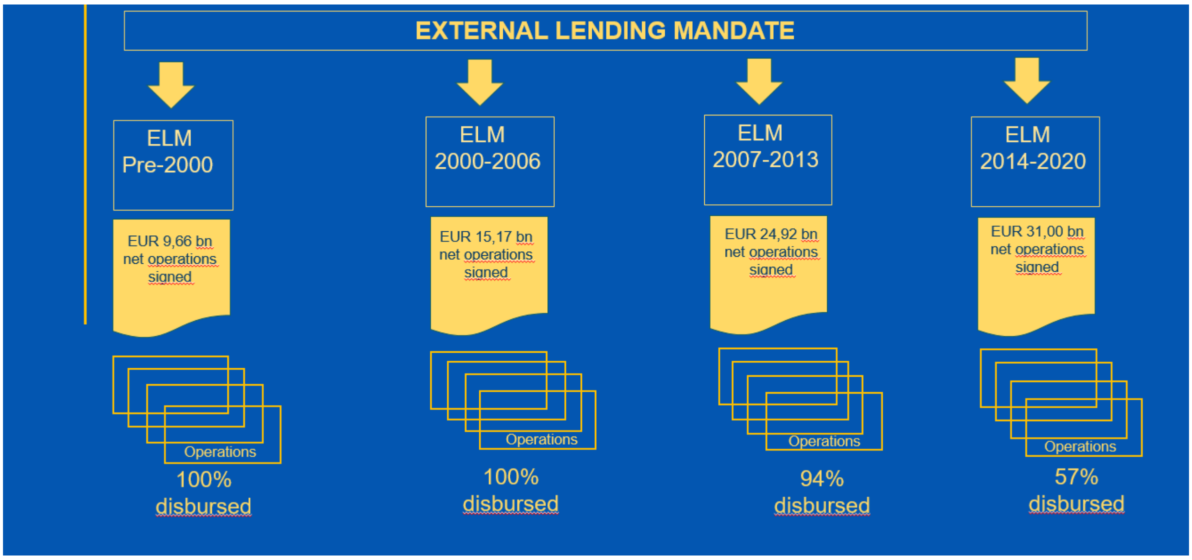
- enhanced flexibility for additional reallocations between and within the (sub)-regions under the original overall lending ceilings of EUR 32.3 billion by lifting the initial 20% limit, and

- a deadline extension for the final report on the implementation of the ELM decision to 31 December 2022.

In September 2021, the EIB Board of Directors decided to establish a new branch, "EIB Global", dedicated to EIB activities outside the EU, aiming at improving EIB operations outside the European Union through more focus on development and more impact driven culture and incentives.

Also in 2021, the EIB began to implement the Additionality and Impact Measurement framework (AIM), replacing the previous Results Measurement (ReM) framework. The Additionality and Impact Measurement framework provides a comprehensive basis for measuring results and assessing each EIB project in terms of both its impact and additionality, in line with international best practices. The framework follows an established three-pillar logic that asks WHY an intervention by the EIB is needed, WHAT will be achieved by it, and HOW the EIB will make a difference.

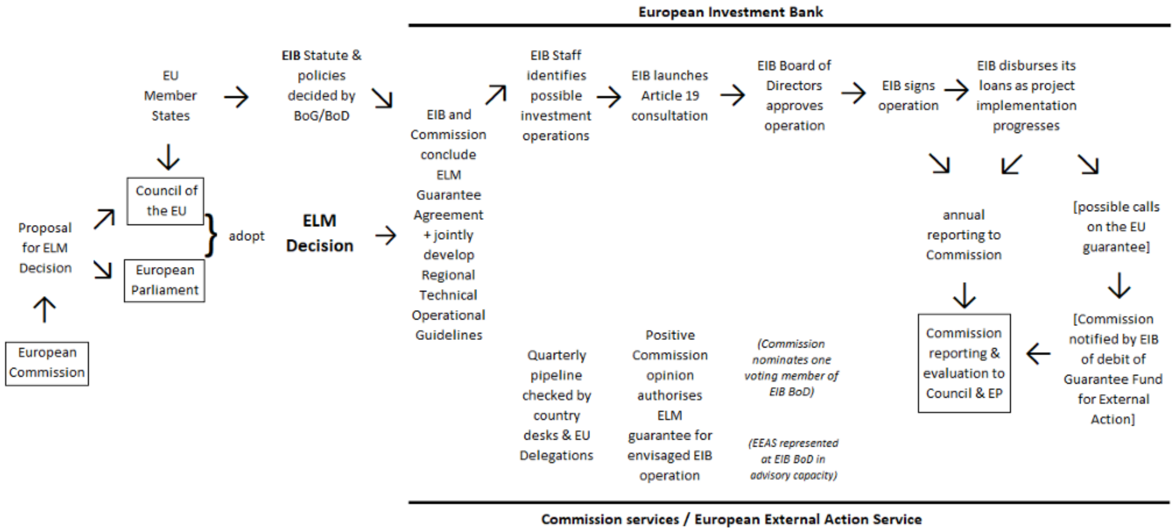
Implementation diagram as of 31 December 2022 (amounts refer to signed volumes of EIB financing operations, net of cancellations, and excluding operations in countries that have meanwhile become EU Member States)



Implementation arrangements

ELM's basic decision-making process is summarised in the chart below. The chart illustrates that the main responsibility for design and implementation of operations rests with the EIB and its decision-making bodies, while the Commission exercises an oversight function through the so-called 'Article 19 procedure', whereby the Commission checks the compatibility of the envisaged ELM financing operations with EU law and policies. This Article 19 procedure takes place at a relatively early stage of the process, on the basis of the information provided by the EIB.[17]

[17] Typically, the Commission opinions on investment projects under preparation by the EIB are issued before the EIB proceeds to the stage of due diligence and detailed technical preparation. The consultation is usually based on fiches of approximately two pages provided by the EIB, which may be complemented by follow-up questions from the Commission and answers by the EIB.



The External Lending Mandate with the EIB has been a feature of the external policy of the European Economic Community and subsequently the European Union since 1977.

The rationale of the EU budgetary guarantee intrinsic to the ELM is that it enhances the risk bearing capacity of the EIB to undertake financing operations supporting the achievement of the EU's external policy objectives.

Duration

The first guarantee for EIB's financing operations outside the then-European Economic Community was put in place in 1977 and a number of such mandates has been provided to the EIB ever since.

The last External Lending Mandate has covered the period 2014-2020 and was extended until end-2021 as per Article 49 of the NDICI - Global Europe Regulation (Regulation (EU) 2021/947).

Added value

The EU budgetary guarantee provided to the EIB in the framework of the ELM has as main purpose to support EU policy objectives by enhancing the risk-bearing capacity of the EIB. Like that it enables the EIB to finance a number of operations outside the EU that without the budgetary guarantee would not be undertaken at all, or only on terms significantly less favourable for the beneficiary countries. In turn, the financing operations undertaken by the EIB thanks to the EU guarantee are expected to pursue policy objectives of the EU and to fulfil a number of conditions established by the European Parliament and Council.

Hence, the EIB financing operations performed in the framework of the ELM are an important vehicle to pursue the objectives of the Union's external policy as laid down in the corresponding Decisions. Decision (EU) 2018/412 for instance explicitly underlines that the added value of the ELM rests on its capacity to finance operations aiming at "reducing poverty through inclusive growth and sustainable economic, environmental and social development".

Application of Article 155.2 FR

The ELM Decision No 466/2014/EU establishes requirements to ensure that ELM operations comply with applicable international and EU standards on the prevention of money laundering, the fight against the financing of terrorism, taxation, and non-cooperative jurisdictions.

Furthermore, the amended ELM Decision (EU) 2018/412 was reinforced with a reference to the fight against tax avoidance, going beyond earlier references to tax evasion and tax fraud.

Article 5 of that Decision requires ELM operations to be consistent with the strategies of the beneficiary countries and Article 7 formulates requirements regarding EIB cooperation with other international or EU Member States' financial institutions.

The EIB also has an Anti-Money Laundering and Counter Terrorism Financing framework in place (last revised in December 2020). That framework aims to prevent the EIB Group, its governing bodies, staff, and counterparties from being associated with or used for money laundering, financing of terrorism or other criminal activities. The EIB has in place a control framework aligned with best banking practice that appropriately manages sanctions risk to limit the EIB's exposure to risk from non-compliance with sanctions that apply to the EIB or EIB's business.

For the year 2022, the EIB did not report any cases related to the application of Article 155.2 of the Financial Regulation.

Support combined with other Union actions

The ELM guarantee can be combined with grant support. To give an example, in 2022, the Neighbourhood Investment Platform approved a project to provide technical assistance, an investment grant (for end-beneficiaries) and a funded guarantee (intervening at the level of local financial intermediaries) to support the Palestine SME Covid-19 Sustainability Programme, for which the EIB provides a loan that is also guaranteed under the ELM.

1.4.2 OPERATIONAL PERFORMANCE

As at 31 December 2022, operations signed by the EIB under all ELM mandates amount to EUR 93.06 billion (i.e. EUR 80.76 billion when excluding countries that have meanwhile become EU Member States) and the total amount of operations disbursed is EUR 78.33 billion (or EUR 66.03 billion when excluding EU Member States). It is also worth noting that there have been 668 final recipients on all ELM mandates.

As regards the leverage and multiplier, they take into account that the EU guarantee covers 65% of EIB lending (for mandates 2007-13 and 2014-2020) and EIB on average covers 50% of project costs. The leverage of 1.5 is calculated as the amount signed by the EIB under all the mandates, divided by the amount of EU liability (65% on a portfolio-level basis for the 2007-13 and 2014-20 mandates). The multiplier effect is reported at double the leverage, reflecting the EIB's 50% co-financing rule.

However, it is important to note that the EU guarantee has already its built-in leverage as it is in fact provisioned at 9% of outstanding disbursed exposure. This feature of the guarantee significantly increases the effective implicit leverage from 1.5 to 17 and the multiplier from 3 to 33. However, also these estimates of leverage and multiplier need to be treated with caution, because the total amount provisioned for the legacy ELM portfolios is determined ex post, in line with the replenishment methodology set out in the GFEA Regulation 480/2009/EU.

The following table summarizes the key operational figures presented above:

Key Figures (as of 31/12/2022)

Total amount of operations signed by counterparts (in EUR)	80,758,571,244
Total amount of operations disbursed (in EUR)	66,025,894,219
Amount transferred to final recipients (in EUR)	66,025,894,219
Number of final recipients	668
Investments made by final recipients	132,051,788,438
Private sector resources mobilised	17,858,000,000
Leverage (ratio)	1.5
Multiplier effect (ratio)	3

Contribution to the achievement of the ELM objectives

Given that no additional operations have been signed under the External Lending Mandate guarantee after 31 December 2021, reporting under indicators related to policy objectives (by geographical diversification and windows/sector) does not apply for 2022.

1.4.3 Financial Information

Financial information at the level of budgetary guarantee

The table below shows the extent to which the EU budget is exposed to possible future payments linked to guarantees given to the EIB under ELM mandates. As at 31 December 2022, the amount of EU liability guarantee on outstanding ELM loans disbursed to final recipients totalled EUR 20.9 billion. When taking into account operations signed by the EIB but not yet disbursed (concerning mainly the 2007-2014 and 2014-2020 mandates) the EU risk extends to 31 billion. The investment period of the ELM was prolonged until 31 December 2021 which was the last date for signature of new operations.

all figures in EUR

	EU contingent and financial liability	
	31/12/2022	**31/12/2021**
Available guarantee signed with counterparts	30,598,893,323	33,025,553,632
EU risk for operations signed by counterparts	30,598,893,323	33,025,553,632
EU risk for operations signed by counterparts and disbursed	20,908,779,595	20,834,521,314

In 2022, a total of EUR 194.3 million of guarantee calls have been made by the EIB on the EU guarantee in relation to operations in Syria, Lebanon, Ukraine, Belarus and Russia including all called amounts (principal, interests, penalties and others), while EUR 6.2 million has been recovered. When the EU makes a payment under the EU guarantee, it is subrogated into the rights and remedies of the EIB.

Recovery actions continued for Syria, with new court proceedings launched by the EIB in July 2022. With respect to the Lebanese financial sector, recovery actions intensified (with one restructuring and two settlement agreements concluded, while working on closing other similar deals), which required some bespoke arrangements to be agreed with the European Commission. Furthermore, the EIB achieved a successful recovery of subrogated sums that arose on loans to the Lebanese sovereign (arrears incurred in mid-2022 were settled in December 2022).

The year 2022 also saw new recovery efforts undertaken with respect to arrears incurred by non-sovereign Ukrainian borrowers, a Belarusian bank as well as the Russian Federation.

The main recovery actions undertaken in 2022 can be summarised as follows:

Lebanon:

Financial institutions:

The continuing deterioration of the country's situation resulted in long lasting payment defaults from all Lebanese financial institutions. In 2021, the EIB managed to secure the payment of most contractual interest, but this became more challenging to achieve in 2022. Due to the still declining financial, economic and political context in Lebanon, the EIB's discussions with the borrowers have increasingly focused on restructuring or exit solutions (e.g. settlements) rather than intermediate solutions such as temporary payment deferrals. Hence, cash settlements have been sought with borrowers having the weakest liquidity among the EIB's Lebanese bank borrowers and which were generally in breach of regulatory liquidity ratios (c. 33% of the EIB's Lebanese bank portfolio). Long term restructurings have been pursued with banks which have the strongest liquidity positions and which are compliant with the regulatory liquidity ratios imposed by the Central Bank of Lebanon (c. 67% of the EIB's Lebanese bank portfolio).

On 21 December 2022, the 2011 ELM Guarantee Agreement ("2011 GA") was amended, among others, to allow the EIB to restructure its exposure covered under the agreement in accordance with its rules, policies and procedures, and to cover the restructuring losses within the scope of the Guaranteed Sums (as defined under the 2011 GA). This amendment addresses particularly the issues related to the Lebanese financial institutions covered by the Political Risk Guarantee under the 2011 GA and will ease future recovery actions undertaken by the EIB with regards to these exposures.

Lebanese sovereign loans:

With the economic crisis still unfolding, Lebanon's foreign exchange reserves have become increasingly scarce. The shortage of hard currency led to the emergence of multiple unofficial exchange rates.

In 2022, arrears occurred on sovereign debt while the explanation provided by the Ministry of Finance (MoF) was that the Central Bank was not giving them access to the foreign currency reserves necessary to serve the sovereign debt of the MDBs/IFIs/DFIs. With the EIB, Lebanon missed three payments due in June and July 2022 for a total amount of EUR 10 million under EIB loans covered by the Comprehensive Guarantee. Lebanon missed another payment due in November for EUR 1.6 million. The EIB called the EU Guarantee for the amounts in arrears after having duly pre-notified the European Commission of the situation.

In December 2022, the EIB recovered the amounts due under EIB loans for a total amount of EUR 11.6 million, to be refunded to the European Commission. Applicable late payment interest has been charged to Lebanon and are expected to be paid in H1 2023 for a total amount of EUR 177 thousand. Upon receipt of this late payment interest, it will also be refunded to the European Commission.

Syria:

As Syria has continued being in payment default, and to preserve the claims for sums due in relation to instalments which started to be payable from September 2017 onwards, further legal claims in respect of such sums had to be brought against Syria in 2022 before the relevant limitation periods would elapse.

Under English law, a claim in respect of an instalment due in September 2017 would hit a limitation bar six years later (i.e. in September 2023) whereas under French and Belgian law (to which the EU Budget loans are subject), the limitation bar is one year earlier (i.e. in September 2022).

- High Court of Justice in England:

The EIB filed new civil claims against Syria, in its own name and on behalf of the European Union, on 18 July 2022 in relation to all sums owed by Syria during the period from September 2017 to June 2022. The EIB is expecting a confirmation by the Court that proper service of the claims has been made upon Syria and that the latter has not filed a response with the court. When this is obtained, the EIB will apply for a summary judgement.

- General Court of the European Union:

The EIB filed new civil claims against Syria, in its own name and on behalf of the European Union, on 22 July 2022 in relation to all sums owed by Syria during the period from August 2017 to June 2022. On 15 November 2022, it was confirmed from the Registry that proper service had been performed by the Court on Syria and that it had not filed a defence within the required timeframe in relation to six out of eight cases. On 26 November 2022, the EIB presented a request to the court to provide a judgment by default for those six cases. For the remaining two cases, the service by registered mail failed and the Court will attempt to perform service with the assistance of a judicial officer (huissier de justice).

Tunisia:

The restructuring of the Aéroport Enfidha loan became effective end-February 2021.

In 2022, the operating and financial performance of the borrower, TAV Tunisie SA, continued to be closely linked with (i) the level of passenger numbers as compared to pre-COVID-19, (ii) the economic performance of Tunisia, and (iii) the perceived security in the country. The project therefore continued to be exposed to political, safety and market risks.

Passenger traffic in 2022 remained at approximately 40% of the pre-COVID 19 level. As a result, TAV Tunisie SA found itself unable to pay in full the concession fees due to the Tunisian authorities under their concession agreement. TAV Tunisie SA attempted to engage with the Tunisian authorities with a view to agreeing on an arrangement to deal with these arrears as well as to reformulate the concession fee formula, most notably by removing the minimum guaranteed payment to be made to the Tunisian authorities. Unfortunately, no material progress was achieved by TAV over the course of 2022 in these negotiations.

Despite the difficulties faced, TAV Tunisie SA made a repayment of EUR 0.8 million interest in June 2022 and a repayment of EUR 0.8 million interest and EUR 0.5 million principal in December 2022. Half of these amounts were retroceded as recoveries to the EC, in line with the bespoke agreement reached between the EIB and the Commission in 2018 on the sharing of losses and recoveries under this operation.

Ukraine:

The EIB had to start recovery efforts with several non-sovereign Ukrainian borrowers who were unable to perform their payment obligations as a direct consequence of Russia's invasion of Ukraine.

As agreed in a letter signed between the EIB and the European Commission in May-June 2022, the Bank adopted a standstill approach consisting of refraining from any enforcement action vis-à-vis non-sovereign Ukrainian clients in the event of non-payments or other defaults or events giving the EIB the right to accelerate.

The EIB also provided waivers in respect of certain covenants or for certain breaches of covenants in the finance contracts, while reserving its rights in respect of the payment default(s). The letters of intent issued to the Ukrainian borrowers stated that the EIB was prepared to work with clients on solutions once the situation stabilised and that this would include an openness to explore debt restructurings if a client's inability to pay caused by the war was prolonged. Because the war had a lasting effect throughout 2022 on non-sovereign Ukrainian borrowers, complex restructuring discussions with the EIB started, seeking significant concessions in compressed timelines to preserve value to avert formal insolvency procedures. The context has therefore shifted from a wait-and-see approach to a more proactive restructuring approach for some of the non-sovereign Ukrainian clients. The EIB and Commission services are in continuous close contacts on the management of these financing operations, in the context of the EU's overall support to Ukraine and its economy.

The EIB also deployed specific recovery efforts aiming at unblocking settlement channels with respect to Russia and one Belarusian bank, which are subject to EU and international sanctions. Russia is currently in arrears vis-à-vis the EIB for approximately EUR 4 million. Amounts owed to the EIB by Belarusian banks and covered by the ELM were settled in late 2022 and early 2023.

all figures in EUR

	Guarantee calls and recoveries	
	2022	**Cumulative until 31-12-2022**
Guarantee calls	194,347,600	852,974,518
Recoveries*	6,149,464	9,592,481
Net guarantee calls	188,198,136	843,382,037

** The figure for 2022 includes only amounts refunded to the Commission in 2022 but does not include amounts recovered by the EIB in late 2022, to be refunded to the Commission in 2023.*

The EIB remunerates the EU only for the budgetary guarantee under the ERI Private Mandate (up to EUR 2.3 billion) introduced in 2018. In accordance with the ELM Guarantee Agreement, the EIB passes on to the EU the risk-related revenues on these operations. EUR 7.2 million of revenues have been received from EIB for the period Q1 to Q4 2022 and EUR 28 million is the total amount of revenues that accrued for the EU under the ERI Private Mandate cumulatively in 2019, 2020, 2021 and 2022.

all figures in EUR

	EU guarantee revenues	
	2022	**Cumulative until 31-12-2022**
EU guarantee revenues	7,169,079	28,075,903

No fees have been paid to the EIB in relation to the EU guarantee under ELM mandate (other than for the asset management of the guarantee fund, until July 2021). Nevertheless, the EU has reimbursed the EIB for the costs of external legal services linked to efforts to recover unpaid amounts.

all figures in EUR

	Expenses	
	2022	**Cumulative until 31-12-2022**
Fees to counterparts	0	0
Other expenses (recovery costs, funding costs, other)	265,787	2,544,730

Financial information at the level of mandate[18]

all figures in EUR as of 31/12/2022

	ELM General Mandate 2014-2020 (Guarantee Agreement 2014 amended 2018) including ERI Private Mandate 2018-2020 (2021 extended)	ELM General Mandate 2007-2013	External Mandate 2000-2006	Old Mandates and Financial Protocols before 2000
Overview				
Effective	Yes	Yes	Yes	Yes
Counterpart	EIB	EIB	EIB	EIB
Description	The EU budgetary guarantee provided in the framework of the ELM enhances the risk-bearing capacity of the EIB by limiting the EIB's risk exposure. In doing so, it enables the EIB to undertake investment operations in riskier environments outside the EU and to pursue policy objectives established by the European Parliament and Council. The amended ELM Decision defined the following high-level objectives: Local Private Sector Development, in particular support to SMEs; Development of Social and Economic Infrastructure, including transport, energy, environmental infrastructure, information and communication technology; Climate Change Mitigation and Adaptation; and the long-term Economic Resilience of refugees, migrants, host and transit communities and communities of origin as a strategic response to addressing root causes of migration. Regional Integration among countries, including in particular economic integration between Pre-Accession countries, Neighbourhood countries and the Union, shall be an underlying objective for EIB financing operations within areas covered by the general objectives.			
Maximum guarantee signed with counterpart	20,995,000,000	19,164,600,000	13,039,000,000	17,670,900,000
Operation type	Loans	Loans	Loans	Loans
Risk-sharing structure	First Loss Piece (capped at 65% of the aggregate amount disbursed and guaranteed under EIB financing operations, less amounts reimbursed, plus all related amounts).		First Loss Piece guarantee restricted to 65% of the aggregate amount of the credits opened, plus all related sums. The overall ceiling of the credits opened was EUR 18 410 million.	Guarantee restricted to 70% 75% and 100% of the aggregate amount of the authorized credits opened, depending on the mandates.
Cumulative operations signed by counterpart	31,002,972,781	24,920,843,267	15,170,831,006	9,663,924,190
Cumulative operations disbursed by counterpart	17,755,477,411	23,435,661,611	15,170,831,006	9,663,924,190
EU contingent and financial liability				
Available guarantee signed with counterpart	18,129,829,676	8,814,872,137	3,463,679,425	190,512,087
EU risk for operations signed by counterpart	18,129,829,676	8,814,872,137	3,463,679,425	190,512,087
EU risk for operations signed by counterpart and disbursed	9,446,657,449	7,807,930,635	3,463,679,425	190,512,087
Cumulative guarantee calls and recoveries				
Cumulative guarantee calls	181,507,757	136,697,178	395,775,597	138,993,986
Cumulative recoveries	5,412,864	2,030,270	2,149,346	0
Cumulative net guarantee calls	176,094,892	134,666,908	393,626,251	138,993,986
Notes	The cumulative amounts of calls made by the EIB on the EU guarantee relate to operations in Syria and Tunisia since 2012.			
Cumulative expenses				
Fees to counterpart	0	0	0	0
Other expenses (recovery costs, funding costs, other) cumulative over all mandates	2,544,730			

18 The numbers in this table include exposures to countries that in the meanwhile have become EU Member States.

1.5 EUROPEAN FUND FOR SUSTAINABLE DEVELOPMENT PLUS

1.5.1 DESCRIPTION

European Fund for Sustainable Development Plus – Open Architecture

Identification/Reference to the basic act				
Regulation (EU) 2021/947 of the European Parliament and of the Council of 9 June 2021 establishing the Neighbourhood, Development and International Cooperation Instrument – Global Europe, amending and repealing Decision No 466/2014/EU of the European Parliament and of the Council and repealing Regulation (EU) 2017/1601 of the European Parliament and of the Council and Council Regulation (EC, Euratom) No 480/2009				
Budget lines				
14 020170.01 (NEAR) EFSD+; 14 020170.01 (INTPA) EFSD+; 15 02 02 03.01 (NEAR) EFSD+				
Maximum amount of budgetary guarantee				
39,769,000,000				
Amount of guarantee agreements signed with counterparts				
495,000,000				
Counterparts for the budgetary guarantee				
EIB, AFD, EBRD, EDFI				
	Cumulative to 2022	**2023**	**2024-2027**	**Total**
Budgetary commitment appropriations	3.393.104.329	272.491.079	5.261.564.072	8.927.159.480
of which from the voted budget	3.393.104.329	272.491.079	5.261.564.072	8.927.159.480
of which from internal assigned revenues	N/A	N/A	N/A	N/A
of which from externally assigned revenues	N/A	N/A	N/A	N/A
Budgetary payment appropriations	1.087.585.039	762.521.855	7.077.052.588	8.927.159.480
of which from the voted budget	1.087.585.039	762.521.855	7.077.052.588	8.927.159.480
of which from external assigned revenues	N/A	N/A	N/A	N/A
of which from internal assigned revenues	N/A	N/A	N/A	N/A

European Fund for Sustainable Development Plus – Investment Window 1

Identification/Reference to the basic act
Regulation (EU) 2021/947 of the European Parliament and of the Council of 9 June 2021 establishing the Neighbourhood, Development and International Cooperation Instrument – Global Europe, amending and repealing Decision No 466/2014/EU of the European Parliament and of the Council and repealing Regulation (EU) 2017/1601 of the European Parliament and of the Council and Council Regulation (EC, Euratom) No 480/2009.
Budget lines
0
Maximum amount of budgetary guarantee
26,725,000,000
Amount of guarantee agreements signed with counterparts
26,725,000,000
Counterparts for the budgetary guarantee
European Investment Bank

General Description

On 14 June 2021 the European Union adopted the Regulation establishing the Global Europe - Neighbourhood, Development and International Cooperation Instrument (NDICI-Global Europe), which is proposed to be the main financial tool of the EU's international cooperation for the period of 2021-2027.

It consists of three pillars: geographic, thematic and rapid response, complemented by an additional emerging challenges and priorities cushion.

Following the successful implementation of EFSD, which targeted investments in Sub-Saharan Africa and the EU Southern and Eastern Neighbourhood countries, a new European Fund for Sustainable Development Plus (EFSD+) is set up under Global Europe and given a wider scope. It is an integrated financial package supplying financing capacity in the form of grants, technical assistance, financial instruments, budgetary guarantees and blending operations across Sub-Saharan Africa, the Neighbourhood and Enlargement countries, Asia and the Pacific, and the Americas and the Caribbean. As regards the guarantees under the EFSD+, they are covered by the broader External Action Guarantee (EAG), for a maximum amount of EUR 53.4 billion, which supports the EFSD+ guarantees, MFA and Euratom loans.

In particular, the EFSD+ guarantee provided for in the Regulation can be deployed through different modalities of support to investment, dividing between:

- Investment with sovereign and non-commercial sub-sovereign counterparts, for which the EU provides guarantee coverage for operations undertaken through the European Investment Bank (EIB). Thus, the EIB is entrusted with the implementation of the so called “EFSD+ Investment Window 1”, which offers comprehensive risk cover for the above-referred operations (i.e. with sovereign counterparts and non-commercial sub-sovereign counterparts), which should be EIB exclusive except for operations that the EIB cannot carry out or decides not to carry out.

- Investment involving private entities or commercial sub-sovereign entities which are financially and legally able to borrow without being backed by a sovereign entity. In this case, the EU guarantee can be extended to a wide number of implementing partners, including the EIB, in what is defined as the “EFSD+ Open Architecture” Window.

More specifically, the EFSD+ guarantee capacity amounts to a maximum of EUR 39.8 billion, EUR 26.7 billion allocated to EIB dedicated Investment Window 1 and EUR 13 billion for the Open Architecture. Under both modalities, NDICI-Global Europe defines the key guiding principles that should be applied in the implementation of the initiative. According to Art. 31 of the Regulation, the EFSD+ shall:

- Foster sustainable and inclusive economic, environmental and social development, transition into sustainable value-added economy and a stable investment environment.
- Promote socio-economic and environmental resilience in partner countries with a particular focus on the eradication of poverty.
- Contribute to the reduction of socio-economic inequalities, sustainable and inclusive growth, climate change adaptation and mitigation, environmental protection and management, the creation of decent jobs on the basis of the core ILO labour standards, economic opportunities, skills and entrepreneurship, socio-economic sectors, including social enterprises and cooperatives, SMEs, sustainable connectivity, the support to vulnerable groups, the promotion of human rights, gender equality and the empowerment of women and young people, as well as addressing specific socio-economic root causes of irregular migration and root causes of forced displacement.
- Attribute special attention to countries identified as experiencing fragility or conflict, Least Developed Countries and heavily indebted poor countries, including by providing support for institutional capacity building, economic governance and technical assistance.

Implementation Cycle

The European Fund for Sustainable Development Plus (EFSD+), builds on the European Fund for Sustainable Development (EFSD) as established by Regulation (EU) 2017/1601.

As defined in the NDICI-Global Europe Regulation, the specific allocation of funds for EFSD+ operations is based on an exhaustive programming exercise, taking into consideration, inter alia, the realities and needs of each partner country and region. In this respect, the EFSD+ Strategic Orientations 2021-2027, endorsed by the EFSD+ Strategic Board on its first meeting of 10 November 2021, established a set of guiding principles and strategic areas for investment to be supported by the EFSD+. In particular, the EFSD+ Investment Window 1, contributes to the achievement of the three overarching priorities identified in the EFSD+ Strategic Orientations 2021-2027, essentially through operations that have the nature of public goods (e.g., infrastructure projects):

- Green Deal: Climate investments in both adaptation and mitigations, following the "do no significant harm" principle for non-climate related investments.
- Global Gateway: Investments in infrastructure, exchanging goods and services, and connecting people around the world. In particular, investments in digital, energy,

transport, and people-to-people connectivity. These investments will adhere to the EU's principles of a level playing field, transparency, and sustainability.

- Jobs and Sustainable and Inclusive Growth: Investments in education, health, and social protection and inclusion.; All such investments will be designed to contribute to human development and inclusive growth.

With the EFSD+ Strategic Orientations as key reference, the EIB and the European Commission (EC) - on behalf of the EU - signed at the end of April 2022 the corresponding Window 1 Guarantee Agreement through which the EC supports through the EU guarantee up to EUR 26.7 billion of EIB financial operations to enable crucial public investments in sectors like clean energy, digital and transport infrastructure, health, and education. The EIB may sign the corresponding financing operations until the end of 2028. This Guarantee Agreement is the largest guarantee agreement to be signed in the framework of the EFSD+.

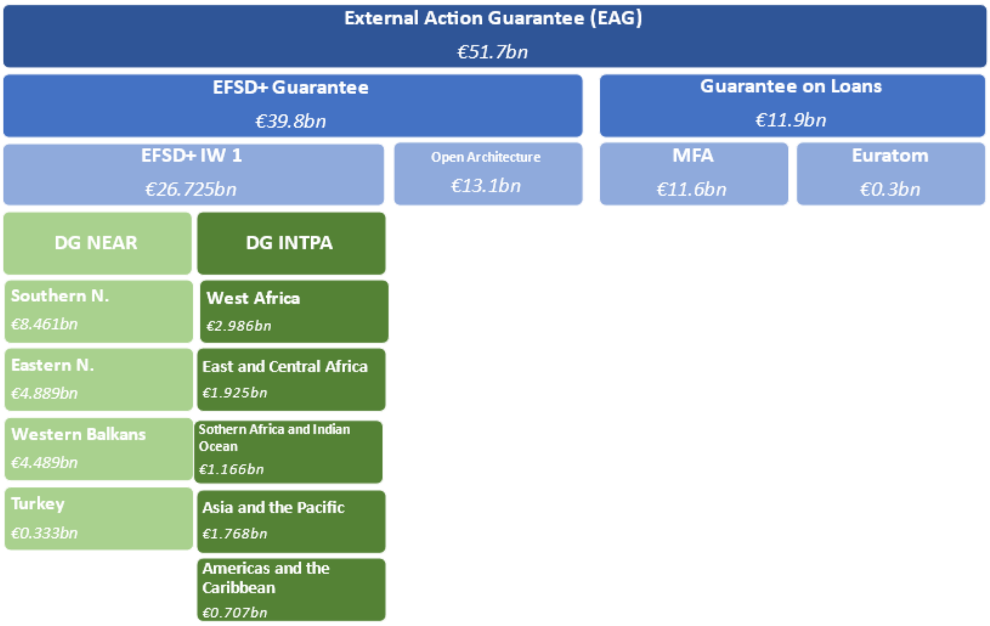
The Guarantee Agreement defines the financial and operational arrangements for the deployment of the EU Guarantee cover for EIB sovereign and non-commercial sub sovereign operations that enter the EFSD+ Investment Window 1. It also includes the specification of new cooperation modalities between both institutions, EC and EIB, such as the "Three Steps Approval process" designed to develop and approve operations in the spirit of the "policy first" approach of the NDICI - Global Europe Regulation.

Through this process, the EC provides guidance and authorisation to the EIB so that it can advance in the development, approval and subsequent implementation of the respective financing operations.

The "upstream coordination" represents the first stage in the programming cycle, where the EU, EIB and National Authorities work closely to identify projects and programmes that adequately respond to policy priorities established in a given country. The "Article 19" consultation represents the second stage. It refers to a consultation process set out in the EIB Statute (Art. 19) by which the EC/European External Action Service have the opportunity to provide an opinion on each envisaged EIB operation. The EFSD+ Eligibility Assessment procedure represents the third step and it is undertaken after completion of appraisal by the EIB of the envisaged financing operations. The EC's role at this juncture is to assess if the operations that the EIB proposes meet the eligibility criteria established in the "NDICI – Global Europe" Regulation to access the EU comprehensive guarantee cover of the EFSD+ Investment Window 1.

In addition to the guarantee specifically reserved for the EIB, the EC will also provide under the EFSD+ open architecture up to EUR 13 billion guarantee cover until 2027. This is being deployed by a range of implementing partners, i.e. International Financial Institutions (including the EIB) and European development finance institutions aiming to mobilise private investments in support of our partner countries.

Initial indicative regional allocations of the EFSD+ Investment Window 1 Guarantee



Implementation arrangements

The EFSD+ Guarantee is being implemented by the eligible counterparts in indirect management.

On 29 April 2022, the EU and the EIB signed an EFSD+ Guarantee Agreement establishing the EU guarantee under the EFSD+ Investment Window 1, which is an investment window providing comprehensive risk cover for loans to sovereigns and non-commercial sub-sovereign counterparts, which is exclusive to the EIB. The portfolio risk cover is provided by the EC on the basis of a 65% first loss piece, thus providing a substantial risk cover. The EFSD+ Investment Window 1 is not remunerated.

In the case of the Open Architecture Window, where the EIB is also eligible for implementing operations with commercial sub-sovereign counterparts as well as the private sector, the approval process of individual guarantee agreements is a multi-stage process, which culminates in a Commission Decision on the Proposed Investment Programmes (PIPs) to be supported by the EFSD+ Guarantee, based on both the information provided by the eligible counterparts in their application forms and the recommendation of the Operational Boards.

Following the adoption of a Commission Decision, the EC concludes one guarantee agreement for each of the PIPs, in line with the provisions set out in the NDICI-GE legal basis and following extensive negotiations between the partner Financial Institutions and the Commission, including the Guarantee Risk Experts Group (GREG), a body specialised in financial risk assessment established for the EFSD+ Guarantee.

Duration

As part of the Global Europe - Neighbourhood, Development and International Cooperation Instrument (Global Europe) Regulation, the EFSD+ was established when the Global Europe Regulation was adopted on 14 June 2021. Pursuant to Article 31 of the Global Europe Regulation, guarantee agreements can be concluded with the eligible counterparts until 31 December 2027.

The corresponding Guarantee Agreement with the EIB for Investment Window 1 is operational since its signature on 29 April 2022.

For guarantee agreements under the EFSD+ Open Architecture, once an agreement is signed, eligible counterparts subsequently have three years as from the effective date of the guarantee agreement to conclude agreements for underlying operations with co-financing partners, financial intermediaries or final beneficiaries. The duration of these guarantees varies according to the sector, with MSME guarantee having a shorter duration, while infrastructure guarantees having potentially longer durations, though generally durations of agreements should not exceed 15-20 years.

Added Value

The EFSD+ Guarantee uses scarce resources in an innovative way to mobilise public and private investment, thereby creating growth and employment opportunities, maximising additionality, delivering innovative products and crowding-in private sector funds.

The EU budgetary guarantee provided in the framework of the EFSD+ Investment Window 1 serves the main purpose of supporting EU policy objectives such as the Global Gateway, by enhancing the risk-bearing capacity of the EIB. It significantly reduces the EIB's risk exposure to a profile commensurate with the rules laid down by the EIB’s governing bodies. Thus, the EU guarantee under Investment Window 1 enables the EIB to undertake investment operations in riskier environments outside the EU for projects that offer public goods and services to the population. In turn, the financing operations undertaken by the EIB thanks to the EU guarantee are expected to adequately address policy objectives and fulfil a number of conditions established by the European Parliament and Council.

Hence, the EFSD+ Guarantee is used to reduce the risks for investment in sustainable development in partner countries, thus helping mobilise investment, which in the case of the Open Architecture, come especially, but not only, from the private sector. Thus, the EFSD+ allows investors including private companies, in particular micro, small and medium-sized enterprises (MSMEs), to contribute more effectively to sustainable development in partner countries by addressing market failures and suboptimal investment situations.

Issues relating to the application of Article 155.2 FR

When implementing EFSD+ guarantee agreements financial institutions are contractually obliged to comply with applicable Union law and agreed international and Union standards and, therefore, not support actions that contribute to money laundering, terrorism financing, tax avoidance, tax fraud and tax evasion. Financial institutions may not enter into agreements with entities established in jurisdictions listed under the relevant Union policy on non-cooperative jurisdictions or that are identified as high-risk third countries pursuant to Article

9(2) of Directive (EU) 2015/849, or that do not effectively comply with Union or internationally agreed tax standards on transparency and exchange of information.

In particular, the Guarantee Agreement signed in April 2022 between the EIB and the EC for the implementation of the EFSD+ Investment Window 1 contains provisions committing the EIB to apply the corresponding rules and procedures to address the requirements in relation to money laundering, terrorism financing, tax avoidance, tax fraud, tax evasion contained in Article 155(2)(a) of the Financial Regulation and to reflect the prohibition to enter into new or renewed operations with entities incorporated or established in jurisdictions listed under the relevant EU policy on non-cooperative jurisdictions.

Furthermore, when concluding agreements not only with the EIB but also with other financial intermediaries, entities implementing EFSD+ Guarantees must transpose these requirements into the relevant agreements. The financial intermediaries are also obliged to report on the observance of these requirements.

Currently, no issues were reported by the EIB or any other financial institutions.

1.5.2 Operational performance

At the 1st Meeting of the EFSD+ Strategic Board on 10 November 2021, EU Member States together with the EU Commission, the EU External Action Service and the EIB approved the EFSD+ Strategic Orientations as main reference framework for the Guarantee Agreements to be established for the implementation of EFSD+. Three overarching priorities were defined for all operations covered by the EU Guarantee, namely:

1. Green Deal
2. Global Gateway
3. Jobs and Sustainable Inclusive Growth

Concerning the EFSD+ Investment Window 1, the Guarantee Agreement signed builds on those strategic priorities and the agreement aims to contribute to set in motion the Economic and Investment Plans, which will support the EU's relations with the EU Southern Neighbourhood, the Eastern Partnership countries and the Western Balkans, aiming to spur the long-term economic recovery of these regions, support a green and digital transition and foster regional integration and convergence with the EU.

Additionally, it also stresses the importance to contribute to the Global Gateway Africa-Europe Investment Package, which aims at supporting Africa for a strong, inclusive, green and digital recovery and transformation; and at promoting ultimately stronger partnerships in the Western Balkans and Türkiye, the Neighbourhood, Sub-Saharan Africa, Asia and the Pacific, and the Americas and the Caribbean.

Concerning EFSD+ Open Architecture, the policy orientations set out the following six investment areas for which the Partner Financial Institutions have already submitted proposals to be covered by the EU guarantee:

1. Micro, Small and Medium Enterprises (MSMEs)
2. Connectivity: Energy, Transport and Digital

3. Sustainable Agriculture, Biodiversity, Forests and Water
4. Sustainable Cities
5. Sustainable Finance and Impact Investing
6. Human Development

Under the Open Architecture, several Guarantee Agreements have been signed in 2022. Five programmes originally planned under the EFSD but postponed due to the Covid-19 crisis were endorsed by the EFSD and EFSD+ Operational Boards, and five guarantee agreements were signed in 2022 under the EFSD+: EBRD Financial Inclusion (up to EUR 115 million guarantee cover), EBRD Digital Platform (up to EUR 35 million guarantee cover), AFD Local Governments Access to Financing Guarantee Programme - CITYRIZ (up to EUR 30 million guarantee cover), AFD FISEA PLUS (up to EUR 35 million guarantee cover), and EDFI MSME Platform (up to EUR 80 million guarantee cover).

Part of the EFSD+ was quickly and exceptionally mobilised to support to the COVAX II facility. The guarantee provided by the EFSD+ to the COVAX II facility was repaid. Support to the COVAX I and II facilities, from the EFSD and EFSD+, facilitated the distribution of hundreds of millions of vaccine doses to our partner countries. The implementation of this programme backed by the EFSD and EFSD+ Guarantee marks a particular success for 2022.

On 13 April 2022, the Commission invited International Financial Institutions (IFIs) and development finance institutions (DFIs) to submit proposed investment programmes (PIPs) under the EFSD+ Open Architecture, with deadline for submission on 12 July 2022. 20 IFIs/DFIs submitted 71 PIPs for a total of EUR 21.9 billion (which compares to a guarantee capacity allocated to the first round of EUR 5.95 billion).

The DG INTPA Technical Assessment Meeting (TAM) under the EFSD+ Guarantee took place on 25-27 October 2022 and 19 DFIs presented 49 PIPs. The PIPs were assessed according to policy alignment, geographic coverage, additionality, financial structure, and preliminary risk assessment.

The EFSD+ Operational Board on 15-16 December 2022 gave a positive opinion on 40 DG INTPA-led PIPs from 20 DFIs and made allocations to 6 DG NEAR-led PIPs for a total of guarantee amount of EUR 6.05 billion for regions under DG INTPA responsibility. In meetings of the EFSD+ Operational Board for the Western Balkans, Neighbourhood and Türkiye on 5 December 2022 and 25 January 2023, positive opinions were issued on the allocation of EUR 2.4 billion to Proposed Investment Programmes covering enlargement and neighbourhood regions.

Operational performance – Open Architecture

Key Figures

Total amount of operations signed by counterparts	**250,636,168**
Total amount of operations disbursed	**200,000,000**
Leverage	**N/A**
Multiplier effect	**N/A**
Amount transferred to final recipients	**N/A**
Number of final recipients	**N/A**
Investments made by final recipients	**N/A**
Private sector resources mobilised	**N/A**

Operational performance – Investment Window 1

Key Figures

Total amount of operations signed by counterparts	**4,510,529,474**
Total amount of operations disbursed	**157,639,499**
Leverage	**1.53**
Multiplier effect	**3.07**
Amount transferred to final recipients	**157,639,499**
Number of final recipients	**N/A**
Investments made by final recipients	**315,278,998**
Private sector resources mobilised	**N/A**

all figures in EUR

Open Architecture	**EU guarantee revenues**	
	2022	**Cumulative until 31-12-2022**
EU guarantee revenues	500,000	500,000

1.5.3 Financial information

Financial information at the level of mandate – Open Architecture

all figures in EUR and as at 31/12/2022

	COVAX II	CITIRYZ	FISEA+
Overview			
Effective	Y	Y	Y
Counterpart	EIB	AFD	AFD
Description	See description of COVAX II up in the main text. This guarantee with the European Investment Bank (EIB) followed the support provided to COVAX, supplying access to COVID-19 vaccines in Africa and the EU Neighbourhood.	Encourage the structuring of local loan markets for local governments by encouraging local private and public banks to improve their knowledge of these new clients and take the risk to lend, on longer maturities more adapted to the needs of local governments' investments. Eligible banks or local financial institutions in Africa provide loans to local governments benefiting from a partial guarantee extended by AFD. Such guarantee issued by AFD covers up to 50% on a pari passu basis of the loan. The programme is aimed at encouraging public and private banks to lend to cities in Africa for projects such as water sanitation and transport.	Makes equity investments in businesses and investment funds operating in Africa in order to support social development goals.
Maximum guarantee signed with counterpart	200,000,000	30,000,000	35,000,000
Operation type	Bullet loan	Line by line guarantee	Portfolio guarantees
Risk-sharing structure	The EIB-Gavi COVAX II loan facility 200m was signed and fully disbursed in 2021.	90% of AFD's first loss exposure (being a 20% tranche) and 53% of AFD's second loss exposure (being the remaining 80% tranche) on a line-by-line basis for each AFD guarantee.	Pari Passu
Cumulative operations signed by counterpart	200,000,000	0	0
Cumulative operations disbursed by counterpart	200,000,000	0	0
EU contingent and financial liability			
Available guarantee signed with counterpart	0	30,000,000	35,000,000
EU risk for operations signed by counterpart	0	0	3,937,746
EU risk for operations signed by counterpart and disbursed	0	0	0
Cumulative guarantee calls and recoveries			
Cumulative guarantee calls	0	0	0
Cumulative recoveries	0	0	0
Cumulative net guarantee calls	0	0	0
Cumulative expenses			
Fees to counterpart	0	0	0
Other expenses (recovery costs, funding costs, other) cumulative over all mandates	0	0	0

all figures in EUR and as at 31/12/2022

	Digital Transformation Platform	Financial Inclusion	MSME Platform
Overview			
Effective	Y	Y	Y
Counterpart	EBRD	EBRD	EDFI
Description	This guarantee programme is designed to achieving access to finance for projects and development in the digital economy. It will help in providing high quality and reliable broadband services while supporting the development of wireless networks as well as enabling the transition to digital economies. It tackles also underpinning government policy on economic growth and jobs and the development of digital solutions including the building of information society structures.	This guarantee programme aims to reconcile supply and demand of MSME financing by reducing the financial risk associated with such financing and encouraging intermediaries to direct new lending towards those businesses who need it the most. The targeted groups include SMEs affected by Covid-19 and other crises affecting the solidity of the local financial systems as well as underserved or unserved target groups and sector.	This Guarantee will enable our partner financial institutions to provide debt financing to financial institutions across Africa and the EU Neighbourhood providing financial services to SMEs. The goal of the financing is to provide longer-term financing that is largely unavailable to SMEs in these markets, as well as capacity building to both lending FIs and recipient SMEs.
Maximum guarantee signed with counterpart	35,000,000	115,000,000	80,000,000
Operation type	Portfolio guarantee	Guarantees and debt	Line by line guarantees
Risk-sharing structure	First loss	First loss	Pari passu
Cumulative operations signed by counterpart	46,698,422	0	0
Cumulative operations disbursed by counterpart	0	0	0
EU contingent and financial liability			
Available guarantee signed with counterpart	35,000,000	115,000,000	80,000,000
EU risk for operations signed by counterpart	2,224,512	0	0
EU risk for operations signed by counterpart and disbursed	0	0	0
Cumulative guarantee calls and recoveries			
Cumulative guarantee calls	0	0	0
Cumulative recoveries	0	0	0
Cumulative net guarantee calls	0	0	0
Cumulative expenses			
Fees to counterpart	0	0	0
Other expenses (recovery costs, funding costs, other) cumulative over all mandates	0	0	0

Financial information at the level of mandate – Investment Window 1

all figures in EUR and as at 31/12/2022

	EFSD + Investment Window 1
Overview	
Effective	Yes
Counterpart	EIB
Description	The EU budgetary guarantee has the objective to enhance the risk-bearing capacity of the EIB by limiting the EIB's risk exposure. It therefore enables the Bank to undertake investment operations in riskier environments outside the EU to pursue policy objectives established by the EU legislator, i.e. the European Parliament and Council.
Maximum guarantee signed with counterpart	26,725,000,000
Operation type	Debt (sovereign and non-commercial sub-sovereign loans)
Risk-sharing structure	First Loss Piece covering 100% of all individual claims, subject to a portfolio-level cap of 65% of the aggregate amounts disbursed and guaranteed under EIB financing operations, less amounts reimbursed, plus all related amounts, and a further cap (Maximum EU FLP Amount) amounting at present to 65% of the Investment Window 1 ceiling and taking into account cumulative amounts called and cumulative amounts recovered.
Cumulative operations signed by counterpart	4,510,529,474
Cumulative operations disbursed by counterpart	157,639,499
EU contingent and financial liability	
Available guarantee signed with counterpart	26,725,000,000
EU risk for operations signed by counterpart	4,508,931,860
EU risk for operations signed by counterpart and disbursed	156,202,257
Cumulative guarantee calls and recoveries	
Cumulative guarantee calls	0
Cumulative recoveries	N/A
Cumulative net guarantee calls	-
Cumulative expenses	
Fees to counterpart	N/A
Other expenses (recovery costs, funding costs, other) cumulative over all mandates	N/A

2 COMMON PROVISIONING FUND

2.1 DESCRIPTION

The Common Provisioning Fund (CPF) entered into operation in 2021, along with the new MFF for the period 2021-2027. Title X of the Financial Regulation entrusts the Commission as financial manager of the CPF with as responsibilities the setting up of the CPF, the definition of its investment strategy and the oversight of its sound management. Pursuant to Article 214 of the Financial Regulation, the Commission shall report annually to the European Parliament and the Council on the CPF.

The report under Article 214 FR, which focuses on the asset management aspects of the CPF, was adopted on 31 May 2023[19] and contained the following information:

- Key events related to the functioning of the CPF in 2022;
- Overview of calls on guarantees and transactions, as well as an update on the applied effective provisioning rate[20];
- Portfolio's composition, risk profile and performance in 2022, presented against the benchmark, along with its environmental, social, and governance (ESG) profile;
- Description of the market environment and developments that shaped the fund's performance in 2022;
- Results of actions taken by the Commission to ensure value protection and growth opportunities for the CPF over the longer term: a diversified investment universe and an enhanced, ESG-focused benchmark.

Following the requirements g), h) and i) of article 41(5) of the Financial Regulation (FR), this chapter focuses mainly on the financial aspects of the CPF not already presented in the report under Article 214 FR. In terms of timing, it covers operations from 1 January 2022 to 31 December 2022.

2.1.1 ROLE OF THE CPF

The CPF holds the provisions protecting the EU budget against losses which may arise as a result of financial instruments, budgetary guarantees or financial assistance for third countries

[19] COM(2023)288 final, Report from the Commission to the European Parliament and Council on the common provisioning fund in 2022.

[20] The concept of effective provisioning rate (EPR) was described in the first CPF annual report for 2021. Following calculations based on the established methodology, the Commission proposed in 2022 that the EPR remained at 100% for the Draft Budget 2023. This approach was confirmed in the adopted Annual Budget 2023.

as established by different EU legislative instruments.[21] The CPF was constituted in January 2021.

The CPF is the capital reserve from which funds are drawn to meet, fully and promptly, all required outflows and guarantee calls (defaulting operations) stemming from the financial instruments, budgetary guarantees and provisioned loan programmes.[22] In order to serve as a reliable buffer for these calls, the CPF is managed in a way that should, at least, strive for capital preservation over its investment horizon. It is divided into several compartments, which correspond to the financial liabilities under the respective instruments and programmes.

2.1.2 Architecture of the CPF

The CPF is created and functions as a single internal pooled portfolio with a single investment strategy, separated from the other portfolios managed by the Commission. Any generated gains are reinvested.

The resources of the CPF are accounted for in compartments for the purpose of tracing the amounts relating to the various contributing instruments.[23]

On 31 December 2022, the CPF was composed of fourteen compartments.

	Market value in EUR as at 31 December 2022
Compartments opened in 2021	
EFSI	8,463,863,835.36
GFEA[24]	2,466,536,435.38
EFSD	697,793,925.32

21 Article 212 of the FR.

22 CPF underpins the system of various forms of support that the EU will provide under the current MFF, notably InvestEU and EFSD+. The CPF also accumulates assets of legacy contributing instruments under the previous MFFs (EFSI, EFSD, GFEA).

23 According to Article 3 of the AMGs, the resources of the CPF are allocated into compartments corresponding to each of the contributing instruments as outlined in Article 1 of the AMGs.

24 Guarantee Fund for external actions (GFEA), holding the provisions for the external lending mandate (ELM), legacy (macro-financial assistance (MFA) and Euratom programmes).

InvestEU	1,651,342,768.93
Compartments opened in 2022	
EFSD+	1,066,911,767.96
EFSD+ Post-2020 MFA	-
Exceptional MFA Ukraine	-
Post-2020 Euratom loans	-
Repurposed ELM loans Ukraine	-
InvestEU Guarantee Romania	-
InvestEU Guarantee Czechia	13,457,062.53
InvestEU Guarantee Finland	17,419,930.38
InvestEU Guarantee Greece	-
InvestEU Blending Operations	17,760,000.00

In 2022, it received EUR 3.26 billion net contributions. As of 31 December 2022 the market value of the outstanding shares was EUR 14.39 billion, which is equal to the value of net assets, making it by far the largest portfolio directly managed by the Commission.

2.2 Financial flows

In combining provisions from different contributing instruments, the CPF receives inflows that are recognised in net assets as subscriptions to the respective compartment after the cash is credited on the CPF bank account or after other assets have been transferred to the CPF (contribution in kind). Outflows from the CPF are treated as redemptions that decrease the amount of contribution in the respective compartment. Proceeds from the redemption are paid into an EU budget bank account to fund the payment of guarantee calls expected over the next months.

Table 1 - Total subscriptions and redemptions for the respective compartments of CPF in 2022.

Compartment as of 31 Dec 2022	**Contributions less redemptions in EUR in 2022**
EFSD	-25,000,000
EFSD+	1,087,585,038
EFSI	713,177,297
GFEA	14,219,828
InvestEU	1,416,259,379
InvestEU - Czechia	13,665,629
InvestEU - Finland	17,689,916
InvestEU - Blending	17,760,000
Total CPF	**3,255,357,087**

3. ASSESSMENT OF CONTINGENT LIABILITIES GENERATED BY BUDGETARY GUARANTEES AND FINANCIAL ASSISTANCE

3.1 INITIAL REMARKS

Contingent liabilities are potential EU financial liabilities that may arise from future events whose occurrence is, at this stage, still uncertain but whose impact on the EU budget may be significant. In the context of the EU budget, contingent liabilities essentially stem from the three following sources:

1. Exposures from budgetary guarantees:

At this stage, this relates to guarantees provided under the EFSI, InvestEU, ELM, EFSD and EFSD+ programmes. Under all budgetary guarantee instruments, the EU (fully or partially) covers - as stipulated by the respective guarantee agreements - implementing partners' losses resulting from payment defaults emanating from financing and investment operations (debt or equity).

2. Exposures from borrowing, the proceeds of which are used to provide financial assistance to third countries (Macro-Financial Assistance ("MFA") and Euratom):

This type of contingent liabilities relates to exposures of the EU in relation to loans granted to a number of third countries. Such loans are financed via EU borrowing, where the EU remains liable versus end investors also when MFA or Euratom beneficiaries would not pay or would not pay in time.

3. Exposures from borrowing, the proceeds of which fund the financial assistance to Member States (BoP, EFSM, Euratom, SURE, RRF loans under NGEU) and the 2023 Ukrainian MFA+ programme[25]:

Exposures for this type of contingent liability are not provisioned and their sustainability is assessed and presented in the Article 250 FR report.

The analysis performed in this Article 41(5) report focuses on the sustainability of contingent liabilities arising from **provisioned** instruments, i.e. the contingent liabilities stemming from budgetary guarantees and financial assistance to third countries.

3.2 BUDGETARY GUARANTEES METHODOLOGY

ASSUMPTIONS AND PARTICULARITIES

Financial risk in relation to contingent liabilities for budgetary guarantees is - to a large extent - assessed on the basis of a mathematical/statistical credit risk models, which serve as an important tool to estimate future losses (and revenues) resulting from budgetary guarantees. For debt products these quantitative models support the assessments performed by the Commission services in charge of implementing the specific programmes and complement their analysis. A mathematical/statistical credit risk model uses pragmatic assumptions to model the underlying operations and then estimates expected losses and the uncertainty around those expected loss estimates (in other words, a credit risk model also provides information on the probability to deplete the guarantee fund over the lifetime of the guarantee or on the probability to have a provisioning surplus). However, a credit risk model as such can only provide an estimate of future losses on the underlying operations under certain assumptions and it cannot be excluded that actual future losses will deviate from these forecasts.

For operations covered by the EU guarantee where (credit) risk cannot be modelled with the available tools and where risk metrics are not available, the Commission estimates relevant risk metrics on the basis of expert judgment, guided by historical experience with the underlying instruments.

Finally, it is worth mentioning that the Commission is further developing a unified credit risk model to be used for the credit risk in budgetary guarantees across the board. In addition,

[25] See also Article 2(3) of Council Regulation 2020/2093 of 17 December 2020 laying down the multiannual financial framework for the years 2021 to 2027.

other methodologies that are currently used (e.g. for equity instruments) are also refined on a continuous basis in order to incorporate experience built up over the years. As a result, the Commission will going forward further fine-tune its approach to risk assessment and monitoring.

Assessment of the adequate provisioning of the relevant compartment of the CPF [26]

A first risk measure that is analysed is the "*de facto* provisioning rate" which is to be compared with the "target provisioning rate" that is set in the budgetary guarantee Basic Act.[27] To make this analysis, the actual market value of the guarantee fund is compared with the total amount of (outstanding) signed guarantees. This comparison is performed based on year-end 2022 data and the respective figures are also projected for the next 5 years.

When the projections show that "*de facto* provisioning rate" is not expected to significantly deviate from the target provisioning rate, the current and future provisioning levels of provisioning can be expected to be (and remain) in line with the initial target provisioning rate for the duration of the projection period.

Assessment of the riskiness of the guaranteed operations as compared to the ex-ante risk bearing capacity of the Commission for a programme

A second risk measure relates to the confidence in the hypothesis that the current provisioning (i.e. the amount available in the guarantee fund evaluated at market value) will be adequate to cover the losses of the programme (net of guarantee revenues and recoveries) over a certain time period. The analysis presented below will principally look at the lifetime estimates[28], which then allows to compare with the initial pre-defined risk bearing capacity of the programme.[29] This risk metric will therefore assess whether the target provisioning rate is still adequate to cover estimated losses at the desired confidence level.

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[26] According to Article 3 of the Asset Management Guidelines (AMGs), the resources of the CPF are allocated into compartments corresponding to each of the contributing instruments as outlined in Article 1 of the AMGs.

[27] This risk measure needs to be interpreted with caution in case the programme is not fully up and running yet and/or the provisioning has not yet been constituted in full.

[28] Where applicable also the estimate for the 5-year time horizon will be mentioned for information purposes.

[29] Expressed as the confidence level that provisioning would be sufficient to cover the net losses over the lifetime of the programme.

3.3 ANALYSIS FOR BUDGETARY GUARANTEE PROGRAMMES

3.3.1 EFSI

Assumptions and particularities

The EFSI guarantee consists of two windows ("Infrastructure and Innovation Window" and "SME Window"), under which both debt and equity products are implemented. For the IIW debt operations, the Commission is supported by the "TAU" (Technical Assistance Unit from EIB) [30] for the credit risk assessments. For the equity operations included in the IIW and for the debt and equity operations of the SMEW, the Commission's risk metric estimates are based on expert judgment.

Assessment of the adequate provisioning of the EFSI CPF compartment

The EFSI Regulation[31] - in its Article 12(5) - has set the target provisioning rate at 35%.

At 31 December 2022, the EFSI CPF compartment[32] held provisions worth EUR 8,570,691,859. This figure needs to be compared with the "Total available Guarantee amount signed with Counterparts" outstanding (which is defined as the 'ceiling in the guarantee agreements signed and effective minus all net payments that reduce the guarantee cap minus 'released guarantees'). At 31 December 2022, this figure amounted to EUR 24,615,200,781.[33]

When the available provisioning is divided by the total available guarantee amount as defined above, the de facto provisioning rate is 34.8%, slightly lower than the target provisioning rate of 35%. However, no replenishment is needed in light of expected revenues in the course of 2023.[34]

Moreover, the valuation losses that the EFSI CPF compartment recorded in 2022 are to a large extent unrealised in nature and the yield-to-maturity of the portfolio is now strongly positive (in excess of 3%).[35]

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[30] In accordance with the Partnership Agreement signed with the EIB in May 2022, the provisioning rate of EFSI (and InvestEU) debt operations is calculated with input from the TAU. This estimated provisioning rate is related to the combined EFSI IIW debt portfolio (standard and hybrid) with the InvestEU debt portfolios.

[31] https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:02015R1017-20210101&from=EN

[32] Including the cash buffer held at the Commission's central treasury to deal with short term expected guarantee calls and an amount of EUR 61 million on a fiduciary account.

[33] Which compares to the maximum legislative guarantee ceiling of EUR 26.0 billion.

[34] For information, in 2022, revenues amounted to EUR 382 million.

[35] Unrealised losses in the EFSI CPF compartment amounted to EUR 877 million.

Assessment of the riskiness of the guaranteed operations as compared to the ex-ante risk appetite of the Commission for this programme

When assessing whether the target provisioning rate is still adequate, the required provisioning for the underlying products was assessed. The EFSI implementation period ended as of 31 December 2022 and therefore no additional operations can be signed.

The results of the risk analysis conducted based on a credit risk model for IIW debt operations and on expert judgment for equity and SMEW debt products, indicate a Value-At-Risk[36] amount of EUR 8,977,800,000 at a 95% lifetime confidence level (p.m. the guarantee is expected to remain in place for more than 20 years). This amount is broadly in line with the market value of the EFSI CPF compartment (EUR 8,570,691,859). It is noteworthy that the underlying provisioning dynamics reveal a shift towards less provisioning needs for debt-type products and towards more provisioning needs for equity-type products (due to recent trends in the interest rates given that the guarantee is also used to cover funding costs).

3.3.2 INVESTEU

At 31 December 2022, seven implementing partners had signed guarantee agreements under InvestEU for a total amount of EUR 17.4 billion of EU guarantee. However, only EIB and EIF (representing a 75% share of the total EU budget guarantee) have started the implementation of the guarantee for a total amount of EUR 2.1 billion guarantee usage corresponding to around 6.3 bn signatures.

The InvestEU guarantee is underpinned by EU budgetary provisions (including also EURI resources and assigned revenues from legacy instruments) of EUR 10.46 billion, with a target provisioning rate of 40%.[37]

In 2021 and 2022, the Commission made the first provisioning payments to the relevant CPF compartment for a total amount of EUR 1,651,342,768.[38] Further provisioning payments are foreseen in the remainder of the constitution phase.

More extensive reporting on provisioning of the InvestEU guaranteed operations as compared to the *ex-ante* risk appetite will start as of next year.

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36 The Value-at-Risk (VAR) can be defined as the portfolio loss level which, statistically, over a certain time horizon will not be exceeded with a certain confidence level.

37 See Art. 4 of Regulation (EU) 2021/523 of the European Parliament and of the Council of 24 March 2021 amending Regulation (EU) 2015/1017.

38 Market value of the relevant CPF compartment at 31/12/2022 which includes EUR 65.7 million unrealized losses.

3.3.3 EFSD

Assumptions and particularities

The EFSD is a budgetary guarantee where the underlying activities are still in the ramp-up phase; many underlying operations can still be signed and implemented.

Meanwhile, the provisions of the EFSD CPF compartment have already been constituted in full. It should also be noted that the EFSD CPF compartment also benefitted from external contributions from the Bill and Melinda Gates Foundation (USD 50 million) and from contributions of a number of Member States (EUR 10 million). As of August 2021, the EFSD GF has been transferred to the CPF and since then it constitutes a separate compartment thereof.

In spite of still being in the ramp up phase, the amount of outstanding liabilities of the EFSD guarantee decreased in 2022. The reason is the COVAX programme where a EUR 270 million underlying loan was repaid without the guarantee being triggered.[39] A remaining EUR 130 million COVAX exposure is still outstanding with a high probability of being called in the short to medium term.

Assessment of the adequate provisioning of the EFSD CPF compartment

The EFSD Regulation[40] has set the target provisioning rate at 50%. At 31 December 2022, the EFSD CPF compartment held EUR 728,175,822 of provisioning. This is to be compared to the "total available guarantee amount signed with counterparts" (i.e. the 'ceiling in the guarantee agreements signed and effective minus all net payments that reduce the guarantee cap minus guarantee released') of EUR 1,178,220,785 at 31 December 2022. When the available provisioning is divided by the total available guarantee, the de facto provisioning rate is 61.8%. As already explained above, the EFSD CPF compartment has been fully constituted and no new significant provisioning inflows[41] are foreseen until the end of the investment period (end-2024). To note that the EFSD CPF compartment in 2022 recorded valuation losses (~ EUR 75 million) which are to a large extent unrealised in nature and that the yield-to-maturity of the portfolio is now strongly positive (in excess of 3%).

Assessment of the riskiness of the guaranteed operations as compared to the ex-ante risk appetite of the Commission for this programme

The EFSD is still in the ramp-up phase, therefore it is appropriate to look at the full set of operations that is expected to be covered under the individual guarantee agreements rather

[39] COVAX is the vaccines pillar of the Access to COVID-19 Tools (ACT) Accelerator.

[40] https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32017R1601&from=EN, Article 14(5)

[41] A limited amount of recoveries or fee revenue could be expected.

than to the operations that have already been signed by the counterparts as at 31 December 2022.

The results of the risk analysis performed on the internal credit risk model[42] indicate a lifetime Value-At-Risk[43] amount of EUR 766,824,213 at the desired 90% confidence level (p.m. the guarantee is expected to remain in place for more than 20 years).[44] This amount is somewhat higher than the market value of the EFSD CPF compartment as of end 2022 (EUR 728,175,822) where the EFSD CPF compartment has reported total unrealised valuation losses of ± EUR 75 million.

3.3.4 EFSD+

EFSD+ is the instrument for external guarantees in this MFF period and can broadly be considered as the successor instrument of ELM (EFSD+ Investment Window 1) and EFSD (the other EFSD+ Windows).

A. EFSD+ Investment Window 1

On 29 April 2022, the EU and the EIB signed an EFSD+ Guarantee Agreement establishing the EU guarantee under the EFSD+ Investment Window 1, which is an investment window providing comprehensive risk cover for loans to sovereigns and non-commercial sub-sovereign counterparts, with the EIB being the exclusive implementing partner. The EFSD+ Investment Window 1 guarantee is a 65% first loss portfolio guarantee. On the back of the substantial risk cover provided by the EC, which is not remunerated, EFSD+ Investment Window 1 is deployed without risk pricing.

The EU budgetary guarantee provided under EFSD+ Investment Window 1 has as main purpose to support EU policy objectives (such as the Global Gateway) and enhances the risk-bearing capacity of the EIB. It significantly limits the EIB's risk exposure to a profile commensurate with the rules laid down by EIB’s governing bodies.

B. EFSD+ Open Architecture

In the EFSD+ Open Architecture, the policy orientations set out six investment areas for which Partner Financial Institutions have already submitted proposals.

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[42] The analysis is performed on “Total amount of EU risk for operations signed with Counterparts”, defined as ‘the exposure of the EU guarantee in terms of operations that are covered (e.g. in EFSD through inclusion notices) and still active’.

[43] The Value-at-Risk (VAR) can be defined as the portfolio loss level which, statistically, over a certain time horizon will not be exceeded with a certain confidence level.

[44] If the same exercise is done over a time horizon of 5 years, a Value-At-Risk level of 635,809,855 EUR is obtained.

At 31 December 2022, EFSD+ had already signed six guarantee agreements with 4 implementing partners for a total amount of EUR 495 million. The EFSD+ portfolio contains one signed and disbursed amounts for EIB-COVAX II for an amount of EUR 200 million, one within AFD-FISEA+ for EUR 3.9 million and one with EBRD-Digital Transformation Platform EUR 2.2 million.

Provisioning

As far as the Common Provisioning Fund is concerned, pursuant to Article 31 of the NDICI Regulation[45], the target provisioning rate is between 9% and 50% depending on the type of operations.

The Regulation also establishes that a maximum amount of EUR 10 billion from the Union budget may be used to provision the External Action Guarantee. The value of the EFSD+ CPF compartment by the end of 2022 amounted to EUR 1,066,911,768.

Formal reporting on provisioning and riskiness of the guaranteed operations as compared to the *ex-ante* risk appetite will start as of next year.

3.3.5 ELM

Assumptions and particularities

The ELM portfolio consists of several mandates (two mandates under the 2014-2020 MFF, established by one European Parliament and Council Decision, which have been extended to end 2021 plus other “legacy” mandates dating back from earlier MFF periods). All underlying operations relate to debt products, most of them with governments as counterparties. There is also a limited number of private entities’ exposures (i.e. the ERI[46] Private Mandate and the political risk guarantee under the general mandate). Some operations only benefit from ‘political risk cover’ (approximately 6.6% of the outstanding disbursed portfolio as of end-2022) whereas most of them benefit from a ‘comprehensive risk cover’.

For the purpose of the present analysis, political risk has been treated as if it were comprehensive risk, which is a conservative assumption.

For many years, the provisioning for the ELM was held in the Guarantee Fund for External Actions (GFEA), which also held the provisioning for MFA and non-EU Euratom loans. As of August 2021, this Guarantee Fund has been transferred to the Common Provisioning Fund (CPF) and constitutes a separate compartment thereof. In principle, the provisioning is fungible between ELM, MFA and non-EU Euratom loans.

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[45] Regulation (EU) 2021/947 of the European Parliament and of the Council of 9 June 2021 establishing the Neighbourhood, Development and International Cooperation Instrument – Global Europe, amending and repealing Decision No 466/2014/EU of the European Parliament and of the Council and repealing Regulation (EU) 2017/1601 of the European Parliament and of the Council and Council Regulation (EC, Euratom) No 480/2009 (Text with EEA relevance).

[46] Economic Resilience Initiative, supported under the ELM 2014-20 further on the basis of Decision (EU) 2018/412, amending the original Decision No 466/2014/EU.

Assessment of the adequate provisioning of the GFEA

At 31 December 2022, the GFEA CPF compartment[47] stood at EUR 2,709,844,436. This results in a *de facto* provisioning rate of 7.0%. However, it should be noted that, in line with Art. 5 and Art. 6 of the GFEA Regulation[48], additional provisioning has already been foreseen in the EU draft budget, using a smoothing mechanism, so as to approach the target provisioning rate of 9% as defined in Article 3 of that Regulation. The current value of the GFEA compartment also takes into account unrealised valuation losses[49] and further provisioning for ELM exposures towards Ukraine will be ringfenced in a new CPF compartment (cf infra).

When the assets to be held in the GFEA CPF compartment are projected over the next 5 years further provisioning replenishment until 2027 are not excluded. Using the replenishment mechanism of the GFEA Regulation, the corresponding amounts will depend on the calls that will be made on the ELM guarantee and for Euratom and/or MFA loans in the following years and the net evolution of disbursements/reimbursements as the instruments covered by the GFEA are in a phasing-out stage. In any case, such annual provisioning replenishments are not abnormal for the GFEA compartment.

For the sake of completeness, it should be noted that the GFEA compartment of the CPF follows a slightly different logic than e.g. the EFSI or the EFSD compartments. Indeed, historically no *ex-ante* risk appetite in the form of a confidence level has been set for the provisioning to which the current *de facto* one could be compared.

Assessment of the adequate provisioning of the ELM

For the purpose of this analysis, the assumption is that the available provisioning for ELM is identical to the *pro-rata* part of its CPF compartment (with as allocation key the size of ELM outstanding disbursed liabilities as compared to total GFEA outstanding disbursed liabilities).

At 31 December 2022, the ELM *pro-rata* part of the GFEA compartment[50] amounted to EUR 2,118,601,769. This figure is to be compared with the "total available guaranteed amount signed with Counterparts and disbursed" (i.e. the 'amounts in the guarantee agreements signed, disbursed and effective minus all net payments that reduce the guarantee cap minus

[47] Including the cash buffer held at the central treasury and excluding provisioning replenishments planned to be paid into the GFEA compartment during 2023 and 2024.

[48] COUNCIL REGULATION (EC, EURATOM) No 480/2009 of 25 May 2009 establishing a Guarantee Fund for external actions. https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:02009R0480-20180408&from=EN

[49] That stand at EUR 251 million.

[50] Including the cash buffer held at the central treasury and excluding provisioning replenishments planned to be sourced from the 2021 EU budget but only committed and paid into the GFEA compartment during 2022.

guarantee released') of EUR 30,357,294,897[51] at 31 December 2022. By comparing those two figures, the de facto provisioning rate is 7.0%.

Assessment of the riskiness of the guaranteed operations as compared to the ex-ante risk appetite of the Commission for this programme

The ELM programme, across its several mandates, has been experiencing a deterioration in its main credit risk metrics. The amounts of defaulting disbursed operations increased which triggered a higher number of guarantee calls (EUR 194 million called by EIB throughout 2022).

The results of the risk analysis performed on the internal risk model [52] indicate a Value-At-Risk amount of EUR 3,863,044,953 at the 90% confidence level over the full lifetime of the guarantee. This exceeds the corresponding provisioning in the CPF compartment (cf supra). It should however be kept in mind that, as already mentioned above, the GFEA compartment is topped up on a yearly basis in case the provisioning falls below 9% of the outstanding disbursed amounts guaranteed. In this regard, it should be recalled that the ELM consists of amortising loans with long repayment periods, where losses tend to crystallise in a non-abrupt manner. Furthermore, the provisioning for repurposed loans to support Ukraine[53] is set at 70% and will be paid into a ring-fenced provisioning compartment over the coming years.

Finally, it should also be mentioned that the Commission – for this older guarantee - has not defined an *ex-ante* risk appetite in the form of a confidence level of the provisioning for the lifetime of the operations.

3.4 Financial assistance methodology

At present, the Commission is developing its credit risk modelling capacities for sovereign exposures. For the time being, the analysis below is in essence based on expert judgment taking into account a number of qualitative and quantitative elements such as payment defaults and diversification effects etc.

3.5 Analysis for financial assistance programmes

3.5.1 Macro-Financial Assistance (MFA) and Euratom Operations

The Macro-Financial Assistance ("MFA") programmes represent the bulk of the financial assistance programmes with total MFA loans at the end of 2022 amounting to EUR 14.96

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51 The EUR 1.054 bn of disbursements to Ukraine have been included. This Ukraine exposure will be backed from a separate compartment (at the rate of 70%).

52 The analysis is performed on "Total amount of EU risk for operations signed with Counterparts", defined as 'the exposure of the EU guarantee in terms of operations that are covered and still active.'. It has to be noted that the output of the modelling becomes less reliable in case of big, concentrated positions.

53 EUR 1.6 billion out of which EUR 1 billion disbursed at end-2022.

billion. Euratom loans to non-Member States (EUR 300 million at the end of 2022) represent the remainder of the financial assistance programmes.

The MFA and Euratom loans are housed in different compartments of the Common Provisioning Fund.

- the legacy exposures (EUR 7.7 billion of MFAs and EUR 300 million of Euratom loans) are part of the GFEA compartment;
- the new MFA loans (EUR 1.2 billion) committed in 2022 are in the EFSD+ Post-2020 MFA;
- the exceptional MFA loans to Ukraine of EUR 6 billion (Exceptional MFA I and MFA II) are in a newly created separate compartment given their special set-up. *Pro memoria*, for this exceptional MFA loans package to Ukraine, a coverage rate of 70% is foreseen: 9% paid-in provisioning from the EU budget and 61% of callable guarantees from Member States.

DG ECFIN – in its capacity of Authorizing Officer of MFA loans - analysed in detail the economic situation of the MFA beneficiaries. When making this assessment, DG ECFIN distinguished between countries in the Eastern Neighbourhood, the Southern Neighbourhood and the Western Balkans. This analysis concluded that in 2022 most countries reported a solid post-COVID recovery but Russia's war of aggression against Ukraine in 2022 has sizeably increased economic uncertainty, aggravated the energy crisis and contributed to high food and energy inflation in the region.

The analysis of the Authorising Officer confirmed that there are currently no elements to put into question the overall 9% target provisioning rate [54] (which is also set in the NDICI Global Europe Regulation)[55], based on several arguments including in particular:

- Absence of payment default in the reporting year 2022, and none in previous years either;

- The geographical exposure of MFA loans;

- The MFA programmes' direct link to and contingency on an existing disbursing IMF programme (with the exception of the three 2022 Ukrainian operations), and satisfactory track record on its implementation, which should ensure the financial viability of the third country and, thus, the eventual repayment of the Union funds;

- The fact that the maturities of the loans related to the countries benefitting from MFA are reasonably well-spread over the current MFF and the subsequent ones.

[54] Article 31(5) of the NDICI Global Europe Regulation also refers to a 9% provisioning rate for macro-financial assistance.

[55] Mutatis mutandis, the same argumentation also applies for the Euratom exposures to non-Member States.

3.5.2 OVERVIEW OF EU EXPOSURES TO UKRAINE

EU financial support to Ukraine has continued in 2023. At the date of 31 May 2023 Ukraine has received additional EUR 7.5 billion disbursed from the EUR 18 billion MFA+ package adopted by the European Parliament and the Council on 14 December 2022. At the time of writing, the direct exposures to Ukraine amounted to EUR 19.4 billion, of which EUR 4.7 billion (legacy MFA and Euratom loans) backed by the GFEA compartment, EUR 1.2 billion (Emergency MFA) by the EFSD+ Post-2020 MFA, EUR 6 billion (Exceptional MFA I and II) by the exceptional MFA compartment, and EUR 7.5 billion (MFA+ loans) by the EU budget 'headroom' which implies no provisioning in the CPF. At the same time, at the end of 2022, the portfolio covered under the ELM Mandate also contained legacy disbursed Ukrainian loans of EUR 2.5 billion. Additional EUR 1.1 billion of ELM exposures (the so called 'repurposed loans') were backed by a dedicated compartment of the CPF (with a 70% applicable provisioning rate). Finally, an amount of EUR 120 million was outstanding with regard to operations carried out under the EFSD guarantee.

3. Glossary

ABS	Asset Backed Security
AECID	Agencia Española de Cooperación Internacional para el Desarrollo
AEGF	African Energy Guarantee Facility
AFD	Agence Française de Développement
AgreenFi	Agricultural and Rural Finance Guarantee Programme
AIP	African Investment Platform
BoP	Balance of Payment
CCS	Cultural and Creative Sector
CDP	Cassa Depositi e Prestiti
COFIDES	Compañía Española de Financiación del Desarrollo
COSME	The EU programme for the Competitiveness of SMEs
COVAX	COVID-19 Vaccines Global Access
CPF	Common Provisioning Fund
DFI(s)	Development Financial Institution(s)
EaSI	EU Programme for Employment and Social Innovation
EBRD	European Bank for Reconstruction and Development

EC	European Commission
ECP	European Climate Platform
EEAS	European External Action Service
EFSD	European Fund for Sustainable Development
EFSI	European Fund for Strategic Investments
EFSI GF	Guarantee Fund of the European Fund for Strategic Investments
EFSM	European Financial Stabilisation Mechanism
EGRE NS	European Guarantee for Renewable Energy (Non-Sovereign)
EIB	European Investment Bank
EIF	European Investment Fund
ELM	External Lending Mandate
ERI	Economic Resilience Initiative
ERI TA	Economic Resilience Initiative Technical Assistance
ESIF	European Structural and Investment Funds
ESIF-EAFRD	European Structural and Investment Funds - European Agricultural Fund for Rural Development
EU	European Union
EUR	Euro

EURATOM	European Atomic Energy Community
EURIBOR	Euro Interbank Offered Rate
FI	Financial Instrument
FLP	First Loss Piece
FMO	De Nederlandse Financierings-maatschappij voor Ontwikkelingslanden
FR	Financial Regulation
GDP	Gross Domestic Product
GFEA	Guarantee Fund for External Actions
GREG	Guarantee Risk Experts Group

GTAG	Guarantee Technical Assessment Group
IFC	International Finance Corporation
IIW	Infrastructure and Innovation Window
InclusiFI	The EU Programme for Financial Inclusion
InnovFin	EU Finance for innovators
KfW	Kreditanstalt für Wiederaufbau
LGF	Loan Guarantee Facility
MFA	Macro-Financial Assistance
MFF	Multiannual Financial Framework
MSME	Micro-, Small and Medium-sized Enterprises
NDICI	Neighbourhood, Development and International Cooperation Instrument
NGEU	NextGenerationEU
NIP	Neighbourhood Investment Platform
NPB	National Promotional Bank
PC	Private Credit
PIP	Proposed Investment Programme
RDI	Research, Development and Innovation

RECIDE	Resilient City Development
RRF	Recovery and Resilience Facility
RRT	Residual Risk Tranche
SLP	Second Loss Piece
SME	Small and Medium-sized Enterprise
SMEG	Small and Medium-Sized Enterprise Guarantee
SMEW	Small and Medium-sized Enterprise Window
SURE	Support to Mitigate Unemployment Risks in an Emergency
TA	Technical Assistance
UN	United Nations
USD	United States Dollar

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