European Commission

ISSN 2599-6312

# DRAFT GENERAL BUDGET OF THE EUROPEAN UNION

Working Document Part XI

#EUBudget

2025
**FINANCIAL YEAR**

Budgetary Guarantees, Common Provisioning Fund and Contingent Liabilities

COM(2024) 300 - June 2024

Budget

Luxembourg: Publications Office of the European Union, 2024




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| Print | ISBN 978-92-68-14877-8 | | doi:10.2761/492581 | KV-AO-24-012-EN-C |
| PDF | ISBN 978-92-68-14878-5 | ISSN 2599-6312 | doi:10.2761/003423 | KV-AO-24-012-EN-N |

EUROPEAN COMMISSION

# DRAFT GENERAL BUDGET
# of the European Union
## for the financial year 2025

## Working Document
# Part XI

2024

Directorate-General for Budget

# Draft General Budget
# of the European Union
# for the Financial Year 2025

## Working document Part XI

## Budgetary Guarantees, Common

## Provisioning Fund and Contingent Liabilities

**COM(2024) 300 - June 2024**

The 2025 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 2023.

**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 2022 – 2025 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 2025 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 2024, information on assigned revenue (implementation in 2023 and estimation for 2025) 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 2023. 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 2023 to 31 December 2023. The **third chapter, the most important from a budget perspective,** assesses the adequacy of the provisioning of the 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 2023:**

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, for different types of investments and with different provisioning rates. 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 become operational more recently in the current Multi-annual Financial Framework. 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, EFSD inclusion period will end in 2024, whereas the investment phase of InvestEU, and in particular of EFSD+ have started rather 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 limited 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 and Investment Window 4 mainly targeting private operations).

  This explains why the different guarantee programmes have different risk profiles, requiring different provisioning rates. EFSI (with a legal 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 rate for EFSD (maximum guarantee amount to EUR 1.54 billion), EFSD+ Open Architecture (guarantee amount EUR 13.1 billion) and EFSD+ Investment Window 4 (current guarantee EUR 750 million[4]) is 50%. For ELM (maximum guarantee EUR 70.87 billion)[5] and EFSD+ Investment Window 1, focussed on sovereign counterparts (maximum guarantee amount EUR 26 billion) the target provisioning rate for the portfolio is 9%.

* It should also be recalled that 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 legacy Macro-Financial Assistance and non-EU

[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 does not cover contributions from the third countries or those received in the form of blending operations from other EU sectoral programmes. It also does not include the additional guarantees implemented under the InvestEU Member State compartments.

[4] The target size of the FLP is EUR 1.052 billion once all the ACP revenues would be transferred.

[5] 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).

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)[6].

- At the end of 2023, the total outstanding risk for the EU budget for the five budgetary guarantees (based on operations signed) amounted to EUR 66.2 billion[7] (EUR 23.6 billion for EFSI, EUR 6.6 billion for InvestEU, EUR 0.5 billion for EFSD, EUR 7.6 billion for EFSD+ Open Architecture, EFSD+ Investment Window 1 and Window 4 and EUR 27.7 billion for ELM).

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

  - EFSI supported 910,003 final recipients and financing to final recipients of more than EUR 401.1 billion[8]. This in turn will lead to total mobilised investments of EUR 495.3 billion while EUR 65.3 billion were disbursed at the end of 2023.

  - As of the end of 2023, the implementing partners of the InvestEU programme approved EUR 42.9 billion of investment operations, of which EUR 19.2 billion were signed and EUR 3 billion were disbursed. This is expected to mobilise EUR 217.6 billion of total investments.

  - Under EFSD, the total amount of operations signed accounted for EUR 1.5 billion covering all the investment windows and the total amount disbursed amounted to 1.1 billion.

  - Under EFSD+ Open Architecture, Investment Window 1 and Investment Window 4, the European Investment Bank (EIB) and other counterparts signed EUR 7.9 billion and disbursed EUR 871.2 million.

  - The ELM programme allowed the EIB to disburse loans for in total EUR 68.0 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 136 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).

6 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.

7 For comparison, in 2021 the total risk for the EU budget based on operations signed was EUR 58.6 billion and in 2022 it was EUR 62.3 billion.

8 Amount that is expected to be transferred when all the signed amounts would be disbursed.

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.

The CPF received EUR 3.5 billion in net contributions in 2023. As of 31 December 2023, the market value (i.e. the "net assets") of the CPF amounted to EUR 18.8 billion. In June 2024[9], 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** which, from a risk management viewpoint, is the **most important** assesses the adequacy of the provisioning of the 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 the credit risk models, which help to estimate future losses resulting from budgetary guarantees, supplemented where needed by expert judgment. The credit risk models 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 2023, having analysed 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 amount for the relevant CPF compartments are in line with the requirements of the respective Regulations, with the exception of EFSI for which a surplus was assessed. On this basis, it is concluded that the CPF provisions are adequate to cover the liabilities arising from guarantee programmes and financial assistance programmes.

For the individual budgetary guarantees and financial assistance to third countries, the conclusions are:

- EFSI is the only budgetary guarantee fully constituted for which the eligible period for signatures elapsed (as of end-2022). It is therefore the only budgetary guarantee for which the Commission has to perform the surplus/replenishment assessment required under Article 213(4) of the Financial Regulation. The Commission concluded this year that the EFSI target provisioning rate of 35% is still adequate (i.e. the risk assessment based on the Value at Risk analysis with a confidence level of 95% pointed at a required provisioning rate of 31.0%). However, there is an excess of provisioning kept in CPF. Based on the available EFSI provisions and the total guarantee amount, the de facto provisioning rate is 38.6%. The

[9] The final report from the Commission to the European Parliament and Council on the Common Provisioning Fund in 2023 was not published when finalising this report.

EFSI surplus of EUR 859 million will be allocated to the financing of the ‘Public Sector Loan Facility’ (PSLF) and the provisioning of InvestEU.

- EFSD is in the last year of the investment period which means that all operations benefiting from the EFSD Guarantee have to be signed by the end of 2024. The risk analysis showed that at this juncture the available provisions are broadly adequate to cover the risk of the portfolio at the desired confidence level.

- The GFEA, which holds the provisioning for pre-2021 MFA loans, ELM and Euratom loans has currently a *de facto* provisioning rate of 8.3%, which will move in the coming year – in line with the requirements of the GFEA Regulation - to the target provisioning rate of 9%. For the ELM repurposed loans to Ukraine, the Commission confirmed its analysis that a provisioning rate of 70% is still adequate.

- InvestEU and EFSD+ are still in the ramp-up phase which means that the underlying portfolios and provisioning are not fully constituted yet. Therefore, it is too early to draw strong conclusions regarding the adequacy of the provisioning rates for these guarantees.

- For MFA and Euratom loans the analysis of the Authorising Officer confirmed that there are currently no elements to put into question in a fundamental manner the overall 9% target provisioning rate.

# INTRODUCTION

This is the fourth 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 provisioning adequacy to cover 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 assesses the **provisioning rate adequacy** of the Union's individual guarantee programmes and financial assistance to third countries programmes. A more consolidated aggregate assessment of the Union's contingent exposures - including the **headroom assessment** considering 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 financial instruments, budgetary guarantees, financial assistance 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 2023).

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 is 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;<br>– (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;<br>– (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;<br>– (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;<br>– (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 established 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[10], the Commission informed that the CPF would enter into force in 2021, along with the new 2021-2027 MFF.

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 in June 2024, the Commission 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;<br>– (h): the effective provisioning rate of the common provisioning fund and, where applicable, the subsequent operations in accordance with Article 213(4);<br>– (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. |

[10] 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 rate 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 available guarantee signed at 31/12/2023** |
| 26,000,000,000 | 25,591,146,243 |
| **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 2023 | 2024 | 2025 | 2026-2027 | Total |
|---|---|---|---|---|---|
| **Budgetary commitment appropriations (in EUR)** | 9,824,049,700 | 116,217,793 | p.m. | p.m. | 9,940,267,493 |
| 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 | 1,399,049,699 | 116,217,793 | p.m. | p.m. | 1,515,267,493 |
| of which from external assigned revenues | N/A | N/A | N/A | N/A | N/A |
| **Budgetary payment appropriations (in EUR)** | 9,824,049,700 | 116,217,793 | p.m. | p.m. | 9,940,267,493 |
| 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 | 1,399,049,699 | 116,217,793 | p.m. | p.m. | 1,515,267,493 |
| of which from external assigned revenues | N/A | N/A | N/A | N/A | N/A |

## General description

The European Fund for Strategic Investments ("EFSI") is an initiative which aimed at boosting long-term economic growth and competitiveness in the European Union and helping overcome the investment gap in the EU. Jointly launched by the European Commission and the European Investment Bank Group in 2015, EFSI 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, managed by the EIB and comprising four portfolios, and;
- the SME Window, managed by the EIF and comprising 11 products.

To increase its risk bearing capacity of the EFSI guarantee, a combination of the two EFSI Debt Portfolios with InvestEU D1 and D2 Portfolios became effective on 1 April 2022. To this end, losses, revenues and repayments are attributed pro-rata between the EFSI and the InvestEU guarantees. However, the provisioning adequacy assessment of EFSI and InvestEU takes place separately in line with the respective Regulations.

## 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.

As of 31 December 2023, EFSI financing **approved** by the EIB Group led to a total investment value of EUR 515.3 billion. In terms of financing **signed**, the total mobilised investment is EUR 495.3 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 EFSI Regulation set the target provisioning rate at 35% of outstanding obligations under the EU guarantee.

As of 31 December 2023, the cumulative provisioning committed and paid under EFSI amounted to EUR 9.824 billion, out of which EUR 8.425 billion from the EU budget and EUR 1.399 billion from internally 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 9.225 billion as at 31 December 2023.

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 at the end of 2023 is about EUR 309.4 million, an increase in the number and volume of future guarantee calls can be expected, due to the pace of implementation, the risk-sharing structure of certain financial products and the higher funding cost resulting from market circumstances.

**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.

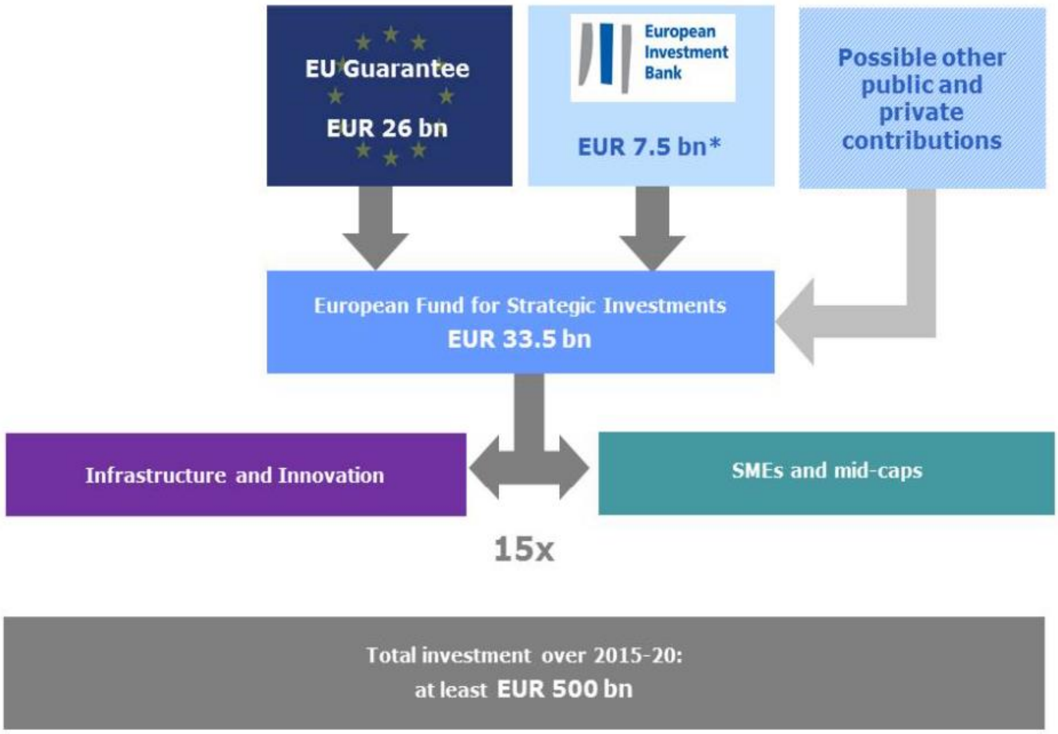
EFSI has two Windows:

- 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[11]; and

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

[11] In line with EFSI Regulation and the InvestEU Regulation, the provisioning adequacy of EFSI and InvestEU is calculated separately.

### Implementation diagram




** Contributions from EIB own resources.*

### Duration

EFSI was set up in July 2015 and amended 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 and the 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 had 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 aimed to overcome market failures by addressing market gaps and mobilising private investment.

Action at the Union level allowed 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 2023, 61 EFSI operations also benefited from support stemming from shared management funds (European Structural and Investment Funds ("ESIF")) and other EU funds. 54 of these operations 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 | 54 | 4,748.94 |
| SMEW | 7 | 122.47 |
| Aggregated | 61 | 4,871.41 |

Under the SMEW, operations relate to investments into equity funds from EFSI. With respect to the Combinations product, for the portfolio for Initiative Nationale pour l'Agriculture

Française, ESIF-EAFRD Greece, Portugal and Nouvelle Aquitaine, the EFSI ECP[12] a 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-EAFRD Greece, Portugal and Nouvelle Aquitaine respectively.

In addition to combinations with ESIF, there are products under the SMEW where EFSI is combined with support from financial instruments from other programmes (COSME, InnovFin, EaSI and CCS)[13].

### 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 2023, EFSI enabled the EIB Group to sign EUR 85.1 billion of riskier financing and investment operations.

The EIB Group **signed** 1,508 EFSI operations for a total investment made of EUR 495.3 billion (compared to envisaged EUR 515.3 billion investment based on **approved** operations): EUR 285.6 billion for the Infrastructure and Innovation Window investments (687 signed operations) and EUR 209.6 billion (821 signed operations) under the SME Window.

EFSI was designed with an investment target and an associated target multiplier of 15x. The EUR 500 billion target of investment mobilised at the end of 2020 was 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 2023, the multiplier calculated in relation to signed operations was 14.78.

EFSI operations were structured to maximise, where possible, the mobilisation of private sector capital. Of the EUR 495.3 billion of total investment mobilised under EFSI, EUR 331.8 billion involve private sector resources, which represents about 67%.

[12] EFSI Combination Product.

[13] Financial Instruments of the Programme for the Competitiveness of Enterprises and small and medium-sized enterprises (COSME), Horizon 2020 Debt Financial Instrument (InnovFin), Financial Instruments under the Programme for Employment and Social Innovation (EaSI), Cultural and Creative Sectors-Guarantee Facility (CCS GF).

***Key Figures (as at 31/12/2023)***

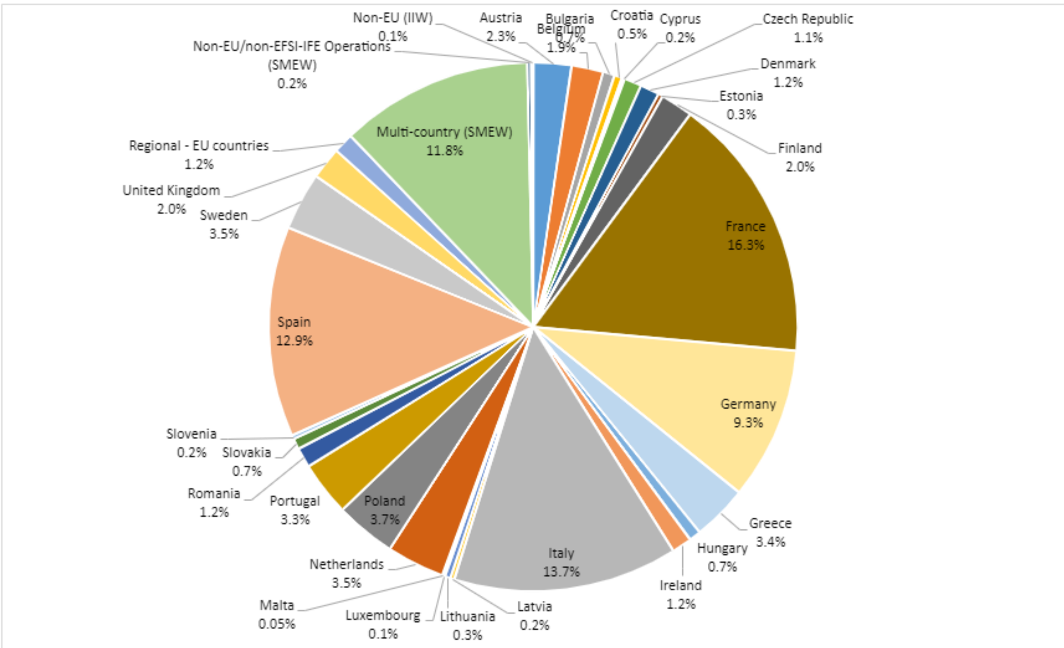
| | |
|---|---|
| **Total amount of operations signed by counterparts (in EUR)** | 85,052,463,098 |
| **Total amount of operations disbursed (in EUR)** | 65,341,432,978 |
| **Amount transferred to final recipients (in EUR)[14]** | 401,138,100,971 |
| **Number of final recipients** | 910,003 |
| **Investments made by final recipients** | 495,250,539,947 |
| **Private sector resources mobilised** | 331,833,827,618 |
| **Leverage (ratio)** | 12.84 |
| **Multiplier effect on signed operations (ratio)** | 14.78 |

## Geographical diversification

As of 31 December 2023, operations were signed in the 27 EU Member States and the UK, with the largest amounts signed in France (EUR 13.9 billion), Italy (EUR 11.7 billion), Spain (EUR 10.9 billion), Germany (EUR 7.9 billion), Sweden, Poland, the Netherlands, Greece, and Portugal (circa EUR 3 billion each).

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

**Signed amounts – breakdown per country**

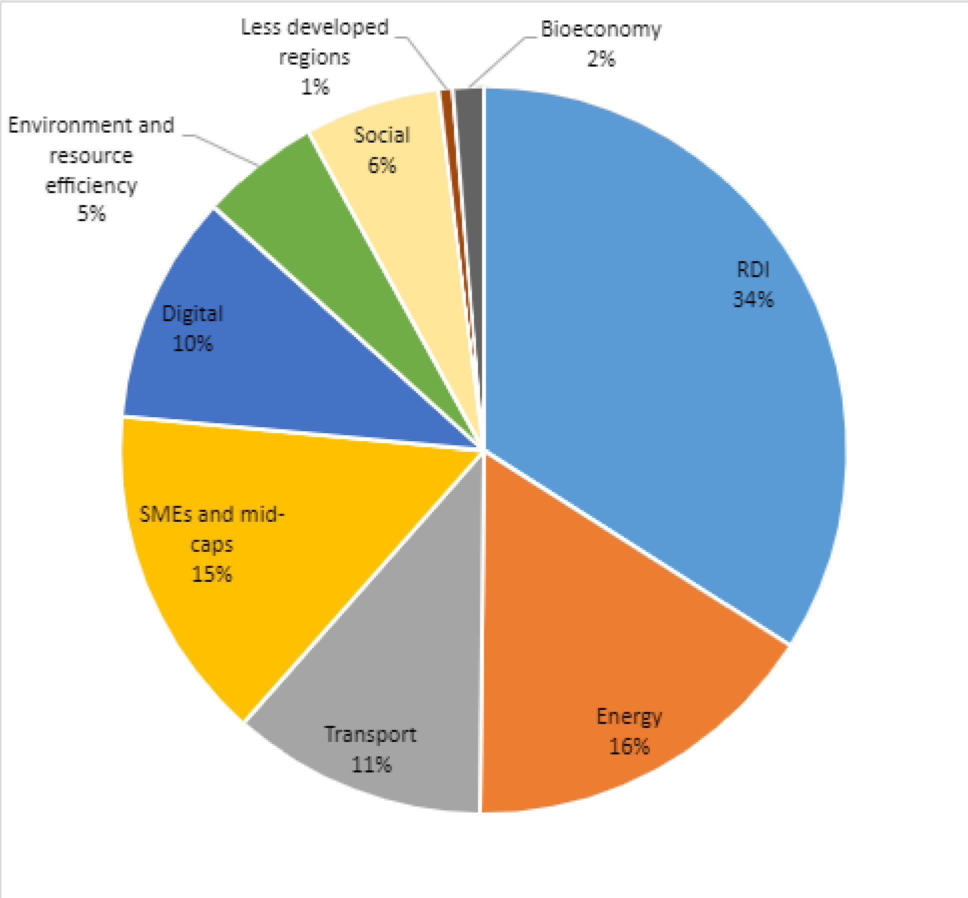



[14] Amount that is expected to be transferred when all the signed amounts would be disbursed.

## Sectoral diversification

As of 31 December 2023, operations were signed across 9 different sectors for a total amount of EUR 85.1 billion. The largest signed amounts were in Research Development & Innovation ("RDI") (signed operations for EUR 28.9 billion), Energy (signed operations for EUR 13.7 billion) and SME and mid-caps (signed operations signed for EUR 12.7 billion).

**Signed amounts – breakdown per sector**




## Contribution to the achievement of the EFSI objectives

The objective of EFSI to mobilise EUR 500 billion investments by 2020 has been achieved. These investments are mobilised through 1508 signed operations implemented in 28 countries. In total 42.7% 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 25.6 billion at the end of 2023. It covers the EU risk related to the operations signed by the EIB Group up to EUR 23.6 billion (EUR 17.7 billion for the IIW (including also IIW debt-type operations that were combined with InvestEU D1 and D2 portfolios) and EUR 5.9 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 21.6 billion as of 31 December 2023.

all figures in EUR

| | EU contingent and financial liability | |
|---|---|---|
| | **31/12/2023** | **31/12/2022** |
| **Available guarantee signed with counterparts** | 25,591,146,243 | 25,793,335,637 |
| **EU risk for operations signed by counterparts** | 23,634,948,429 | 24,615,200,781 |
| **EU risk for operations signed by counterparts and disbursed** | 21,551,382,004 | 21,083,715,813 |

Under the EFSI Agreement, the European Union is entitled to a remuneration for its guarantee. Up to end 2023, the EU has received EUR 1.84 billion (out of which EUR 403 million in 2023) 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, funding costs, 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 provisioning of the EFSI compartment of the CPF.

all figures in EUR

| | EU guarantee revenues | |
|---|---|---|
| | **2023** | **Cumulative until 31-12-2023** |
| **EU guarantee revenues** | 402,737,036 | 1,841,037,484 |

To date, the guarantee covered calls of EUR 309 million (cumulative), of which EUR 298 million related to defaulted operations and value adjustments for IIW portfolios and EUR 11 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 for value adjustments 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 | |
|---|---|---|
| | **2023** | **Cumulative until 31-12-2023** |
| **Guarantee calls** | 125,822,354 | 309,393,048 |
| **Recoveries** | 0 | 1,555,897 |
| ***Net guarantee calls*** | 125,822,354 | 307,837,150 |

The cumulative fees due to the EIF for the implementation of the products under the SME window total EUR 269.9 million, which were mainly covered by the revenues due to the European Union under the guarantee. In addition, the EU has incurred a cumulative amount of EUR 107 million of other expenses (recovery costs, funding costs, other) out of which EUR 75 million in 2023, covering mainly the funding costs.

all figures in EUR

| | Expenses | |
|---|---|---|
| | **2023** | **Cumulative until 31-12-2023** |
| **Fees to counterparts** | 19,217,799 | 269,845,718 |
| **Other expenses (recovery costs, funding costs, other)** | 75,069,885 | 107,020,638 |

## Financial information – all figures in EUR as of 31/12/2023

| | EIB - Debt Standard (combined with InvestEU D1 Portfolio) | EIB - Debt Hybrid (combined with InvestEU D2 Portfolio) | EIB - Equity |
|---|---|---|---|
| **Overview** | | | |
| **Effective** | Yes | Yes | Yes |
| **Counterpart** | 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.<br><br>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 (asset-backed securities/loan substitutes/ credit enhancements)<br><br>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.<br><br>The EU and the EIB cover pari passu (50%/50%) each equity-type operation included in the Equity Standard Portfolio. |
| **Maximum guarantee signed with counterpart** | 13,240,000,000 | 2,000,000,000 | 4,010,000,000 |
| **Operation type** | Debt, Guarantee | Debt, Guarantee | Equity |
| **Risk-sharing structure** | FLP - 100% (EU guarantee) | FLP - 100% (EU guarantee) | Pari passu - 50% (EU guarantee) & 50% (EIB) |
| **Cumulative operations signed by counterpart** | 52,637,587,132 | | 6,566,135,554 |
| **Cumulative operations disbursed by counterpart** | 41,223,867,751 | 2,580,938,205 | 3,741,413,656 |
| **EU contingent and financial liability** | | | |
| **Available guarantee signed with counterpart** | 13,094,145,034 | 2,000,000,000 | 3,764,977,838 |
| **EU risk for operations signed by counterpart** | 13,094,145,034 | 2,000,000,000 | 2,633,382,313 |
| **EU risk for operations signed by counterpart and disbursed** | 13,094,145,034 | 2,000,000,000 | 1,825,653,422 |
| **Cumulative guarantee calls and recoveries** | | | |
| **Cumulative guarantee calls** | 141,737,422 | 0 | 156,335,202 |
| **Cumulative recoveries** | 1,555,897 | 0 | 0 |
| **Cumulative net guarantee calls** | 140,181,524 | 0 | 156,335,202 |
| **Notes** | The EU guarantee was called to cover one defaulted operation in 2018. EUR 18,6 million were recovered initially; thus reducing the amount of the guarantee call. Subsequently, EUR 1.6 million was recovered. Furthermore, restructuring losses for two debt-type operations were claimed in 2022 and in 2023 under the InvestEU mandate. | | The EU guarantee was called to cover eight defaulted operations (one in 2019, three in 2021, two in 2022 and two in 2023). In addition, it covered value adjustments, funding costs and recovery costs for equity operations. |
| **Cumulative expenses** | | | |
| **Fees to counterpart** | 0 | 0 | 0 |

| | EIF - Debt | EIF - Equity |
|---|---|---|
| | **Overview** | |
| **Effective** | Yes | Yes |
| **Counterpart** | 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 the Senior Risk Tranche of 80%. EFSI credit enhancement was introduced to increase the size of the Horizon 2020 debt financial instrument. | The product aims at enhancing financing provided by financial intermediaries to SMEs, Small Midcaps, Social Sector Organisations 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. EU covers the Junior Tranche through the InnovFin Equity financial instrument which provides 45% of financing, whereas EFSI (26.5% of financing provided by the EIB) and the European Investment Fund (28.5%) covers the Senior Tranche. |
| **Maximum guarantee signed with counterpart** | 3,450,000,000 | 3,300,000,000 |
| **Operation type** | Guarantee | Equity |
| **Risk-sharing structure** | SLP | SLP |
| **Cumulative operations signed by counterpart** | 15,864,028,868 | 4,800,261,216 |
| **Cumulative operations disbursed by counterpart** | 15,507,611,335 | 2,287,602,031 |
| | **EU contingent and financial liability** | |
| **Available guarantee signed with counterpart** | 3,443,381,284 | 3,288,607,753 |
| **EU risk for operations signed by counterpart** | 3,102,565,698 | 2,804,855,384 |
| **EU risk for operations signed by counterpart and disbursed** | 2,911,130,493 | 1,720,453,056 |
| | **Cumulative guarantee calls and recoveries** | |
| **Cumulative guarantee calls** | 6,618,716 | 4,701,708 |
| **Cumulative recoveries** | 0 | 0 |
| ***Cumulative net guarantee calls*** | 6,618,716 | 4,701,708 |
| **Notes** | | |
| | **Cumulative expenses** | |
| **Fees to counterpart** | 126,293,947 | 143,551,771 |

# 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 available guarantee signed at 31/12/2023** |
| 26,660,049,545[15] | 25,766,699,126 |
| **of which ceiling authorised in the legal basis (in EUR)** | **Counterparts** |
| 26,660,049,545 | EIB, EIF, CDP, CDP Equity, EBRD, CEB, NIB, CDC, BGK, Bpifrance, Garantiqa, ICO, InvestNL, PMV, BDB, NRB |
| **of which from external contributions (in EUR)** | |
| 1,767,737,102[16] | |
| **Budget Line(s)** | |
| 01 03 08 | |

| | **Cumulative to 2023** | **2024** | **2025** | **2026-2027** | **Total[17]** |
|---|---|---|---|---|---|
| **Budgetary commitment appropriations (in EUR)** | 8,377,040,307 | 256,578,261 | 312,490,104 | 843,503,340 | 9,789,603,012 |
| of which from voted budget | 1,874,924,000 | 94,821,222 | 144,427,000 | 347,834,778 | 2,462,007,000 |
| of which from NGEU | 5,930,000,000 | 0 | N/A | N/A | 5,930,000,000 |
| of which from fines | 266,100,000 | 153,500,000 | 168,063,104 | 495,668,562 | 1,083,331,666 |

[15] EU compartment only, including contributions from Norway and Iceland.

[16] MS contributions.

[17] EU compartment data only.

| | | | | | |
|---|---|---|---|---|---|
| of which from internal assigned revenues[18] | 251,609,430 | 8,257,039 | p.m. | p.m. | 259,866,158 |
| of which from external assigned revenues | 54,397,877 | p.m. | p.m. | p.m. | 54,397,877 |
| **Budgetary payment appropriations (in EUR)** | 3,311,674,754 | 1,358,257,039 | 1,365,000,000 | 2,464,000,000 | 9,789,572,748[19] |
| of which from voted budget | 454,697,712 | 150,000,000 | 350,000,000 | 1,300,000,000 | 2,462,007,000 |
| of which from NGEU | 2,551,000,000 | 1,200,000,000 | 1,015,000,000 | 1,164,000,000 | 5,930,000,000 |
| of which from fines | 0 | 0 | 0 | 0 | 1,083,331,666 |
| of which from internal assigned revenues | 251,579,166 | 8,257,039 | p.m. | p.m. | 259,836,205 |
| of which from external assigned revenues | 54,397,877 | p.m. | p.m. | p.m. | 54,397,877 |

### 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.

The InvestEU programme was established by the 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

[18] Expected to reach EUR 1 billion by 2027.

[19] This amount includes EUR 1.290 billion of payment appropriations to be done after 2027.

policy windows that address market failures or sub-optimal investment situations within their specific scope;
- the **InvestEU Advisory Hub**, the successor of the European Investment Advisory Hub and 12 other centrally managed advisory programmes and initiatives; and
- the **InvestEU Portal**, the successor of the European Investment Project Portal.

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 relatively high-risk profile that require risk-sharing through the EU budget, 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, shared management 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);

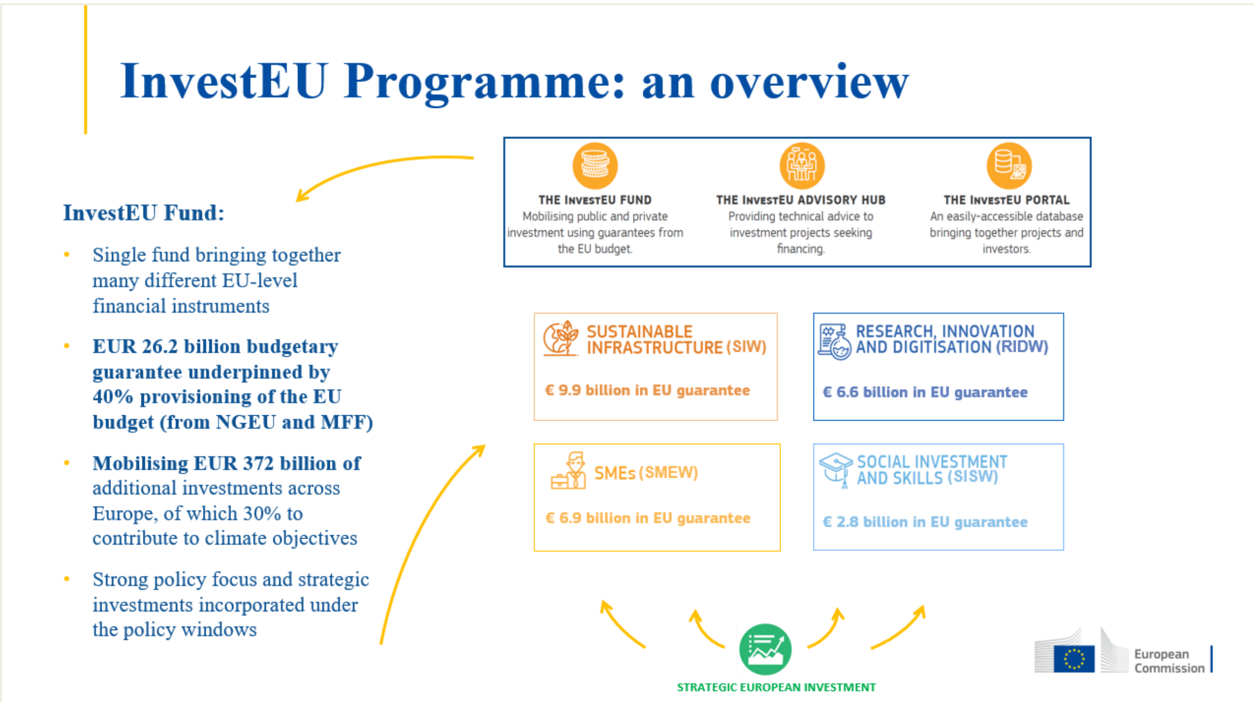
3. increasing access to and the availability of finance for small and medium-sized enterprises (SMEs) and for small mid-cap companies and enhancing their global competitiveness (SME Window – SMEW); and

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 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%.

The amount of budgetary commitments include EUR 2.1 billion from the EU general budget, EUR 5.9 billion from Next Generation EU and EUR 251.6 million internal assigned revenue from predecessor financial instruments. Up to end 2023, EUR 3.3 billion was paid into the Common Provisioning Fund under the EU compartment. In 2022 and 2023, negotiations with various Member States concerning contributions to the Member State compartment of InvestEU were also successfully concluded. Six contribution agreements were signed with Romania, Bulgaria, Greece, Czechia, Finland and Malta and the respective InvestEU Member State compartments in the CPF were set up. Until the end of 2023, provisioning of additional EU Guarantee, in the amount of EUR 138.6 million of external assigned revenue was transferred to the Member State compartments of Romania, Greece, Finland, Bulgaria and Malta (according to the schedules laid down in the signed contribution agreements).

Furthermore, as set out in the adopted partnership agreements and signed contribution agreements, the following appropriations were transferred in 2023 as contributions to the InvestEU Fund: EUR 35.8 million from the European Regional Development Fund for three Member States (Bulgaria, Czechia and Malta) and EUR 5 million from the Cohesion Fund for one Member State (Bulgaria).

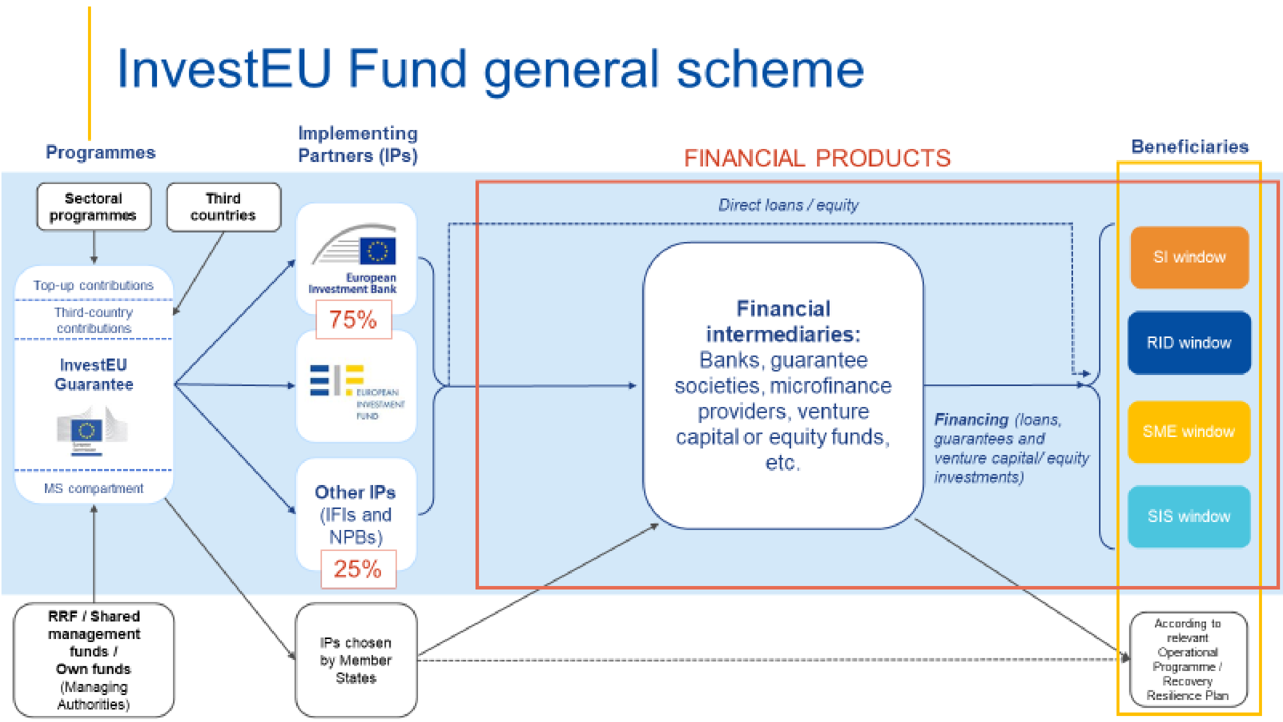


**Implementation arrangements**

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 support for funding of investment projects in Europe simpler, more efficient and more flexible. BR

**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 2023, EUR 249.4 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'.

### 1.2.2 OPERATIONAL PERFORMANCE

The guarantee agreement with the EIB and the EIF (representing a 75% share of the total EU budget guarantee, i.e. EUR 19.6 billion) was signed in March 2022. A total of 12 guarantee agreements with other implementing partners (under which EUR 3.6 billion of guarantee capacity was allocated) were signed by the fourth quarter of 2023. In 2023, guarantee agreements were signed with: Instituto de Crédito Oficial (ICO, Spain), Cassa Depositi e Prestiti SpA (CDP, Italy), Bpifrance, Bank Gospodarstwa Krajowego (BGK, Poland), InvestNL (Netherlands), Garantiqa (Hungary) and PMV (Belgium) as well as several amendments to existing guarantee agreements. Two more guarantee agreements were signed under the MS-Compartment in 2023 with the Bulgarian Development Bank (BDB, Bulgaria) and Národní rozvojová banka (NRB, Czechia) under which EUR 205 million were made available to guarantee InvestEU operations.

InvestEU guarantee covers its implementing partners’ financing and investment operations in priority areas. As of 31 December 2023, InvestEU enabled its implementing partners to sign EUR 19.2 billion of riskier financing and investment operations. Under SMEW, EUR 7.90 billion were signed, followed by SIW with EUR 6.66 billion of signatures, RIDW with EUR 3.54 billion and SISW with EUR 1.10 billion.

In 2023, InvestEU has provided benefits to all 27 Member States. As of 31 December 2023, the top beneficiary countries, in terms of the InvestEU financing signed, were Spain, Italy, Romania, and France.

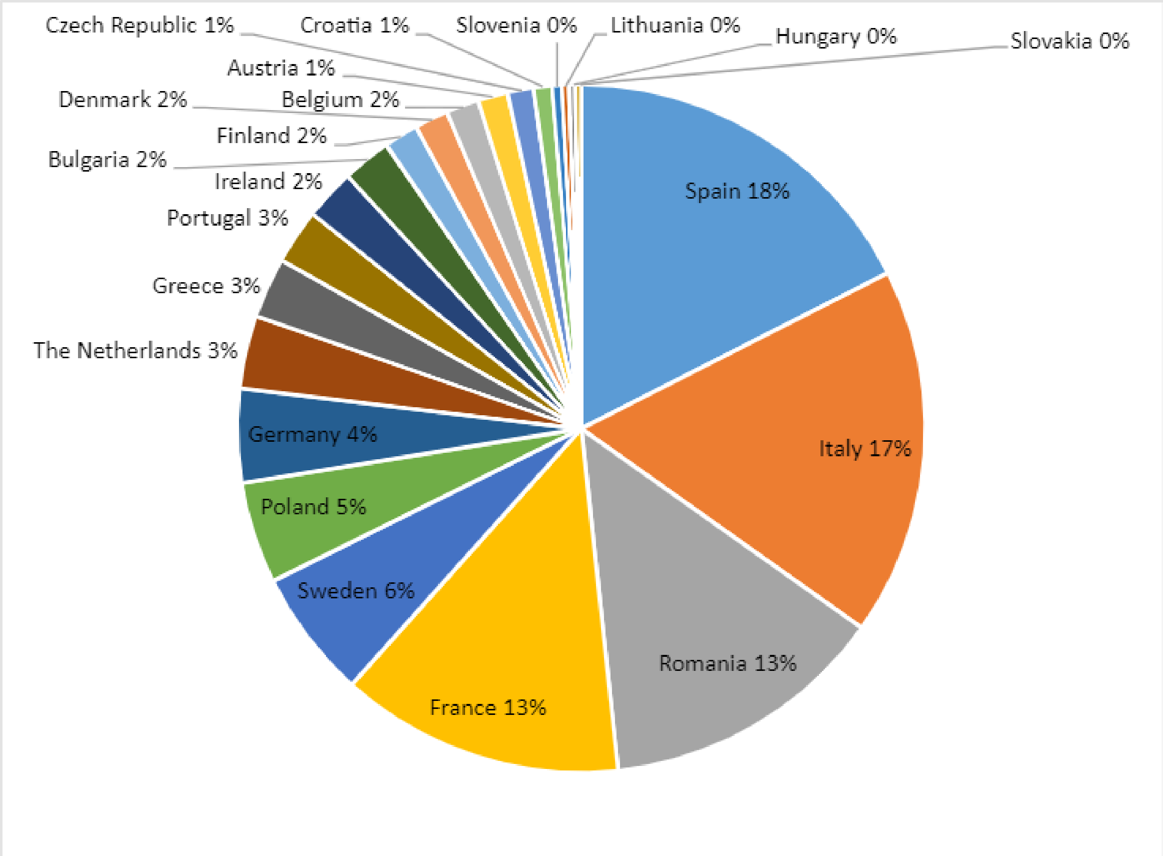
InvestEU was designed with a target of EUR 372 billion in expected mobilised investment. As of 31 December 2023, the estimated investment mobilised in approved operations reached EUR 217.6 billion, with a corresponding multiplier of 14.85.

***Key Figures (as at 31/12/2023)***

| | |
|---|---|
| **Total amount of operations signed by counterparts (in EUR)** | 19,196,617,941 |
| **Total amount of operations disbursed (in EUR)** | 3,003,424,027 |
| **Amount transferred to final recipients (in EUR)** | 6,751,612,516 |
| **Number of final recipients** | 38,416 |
| **Investments made by final recipients** | 11,023,694,994 |
| **Private sector resources mobilised (in EUR)** | 7,092,466,194 |
| **Leverage (ratio)** | 5.62 |
| **Multiplier effect (ratio)** | 14.85 |

## Geographical diversification

**Signed amounts – breakdown per country**

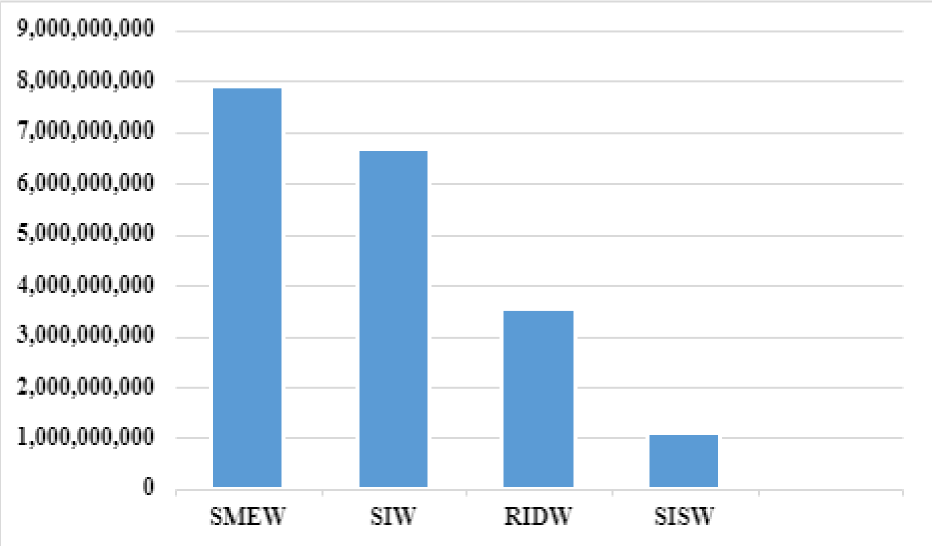



As of 31 December 2023, operations were signed in the 22 EU Member States, with the largest amounts signed in Spain (EUR 2.56 billion), Italy (EUR 2.53 billion), Romania (EUR 1.97 billion), France (EUR 1.95 billion), Sweden (EUR 883.0 million), Poland (EUR 697.1 million), Germany (EUR 644.6 million), and the Netherlands (EUR 500,8 million). However, in terms of signatures relative to the GDP, the top beneficiaries were Romania, Bulgaria, Greece, Spain, and Croatia.

### Contribution to the achievement of the InvestEU objectives

As of 31 December 2023, operations were signed across the four policy windows for a total amount of EUR 19.20 billion. The largest signed amounts were in the SME and mid-caps window (signed operations for EUR 7.89 billion), followed by the Sustainable Infrastructure window (signed operations for EUR 6.66 billion), the Research, Innovation, & Digitalisation window (signed operations for EUR 3.54 billion) and the Social Investment Skills window (signed operations for EUR 1.10 billion).

**Diversification by Window**




### Member State Compartments

The InvestEU guarantee can be increased with additional contributions from Member States and third countries.

The Commission has signed contribution agreements with six Member States: Romania, Bulgaria, Greece, Czechia, Finland and Malta until end of 2023. For the receipt of the relevant amounts needed for the provisioning of the EU guarantee implemented under the InvestEU Member State compartment, in 2022 and 2023 Common Provisioning Fund' compartments for Romania, Greece, Finland, Czechia, Bulgaria and Malta were also set up.

The additional guarantee amounts added through the Member State compartment were included in the Guarantee Agreement with the EBRD and EIF. Moreover, separate Guarantee Agreements were signed in 2023 with BDB (Bulgaria) and NRB (Czechia) to implement financial products under the Member State Compartment.

The guarantee amount signed under the Romania Member State Compartment amounts to EUR 723,976,000. Specifically, EUR 671,591,850 are included in the Guarantee Agreement with EIF and EUR 52,384,150 in the Guarantee Agreement with EBRD. Of this guarantee amount, 70.99% is allocated to SMEW; 16.60% to SIW and 12.42% is still to be allocated to SIW or SMEW by EIF.

In the case of the Member State Compartment for Bulgaria, the total guarantee signed amount is EUR 275,000,000. Within this, EUR 150,000,000 are included in the Guarantee Agreement with EIF and EUR 125,000,000 corresponds to the Guarantee Agreement with BDB. The allocation breakdown per policy window is as follows: 84.25% to SMEW; 12.71% to SIW and 3.04% is to be allocated to either SIW or SMEW by EIF.

The amount signed under the Member State Compartment for Greece is EUR 572,210,000, from which EUR 482,810,000 is included in the Guarantee Agreement with EIF and EUR 89,400,000 in the Guarantee Agreement with EBRD. The allocation percentages are as follows: 71.04% to SMEW; 8.63% to SIW; 15.62% to an EBRD RIDW and SIW joint product -Green and Digital Capped (MSC Greece)- and 4.7% is still to be allocated either to SMEW or SIW under the Guarantee Agreement with EIF.

In the case of Malta, a guarantee amount of EUR 16,551,102.81 is signed to be implemented by the Guarantee Agreement with EIF. The entire amount is allocated to SMEW.

A guarantee amount of EUR 100,000,000 is signed under the Finland Member State Compartment and included in the Guarantee Agreement with EIF. 81.14% of this guarantee amount is allocated to SMEW, 13.29% to SIW and 6.57% is still to be allocated either to SIW or SMEW under the Guarantee Agreement with EIF.

Finally, the guarantee amount signed under the Czechia Member State Compartment is EUR 80,000,000, corresponding to the Guarantee Agreement with NRB. 100% of this amount is allocated to the SMEW.

### 1.2.3 FINANCIAL INFORMATION

**Financial information at the level of budgetary guarantee**

At the end of 2023, the available guarantee under InvestEU, after deducting guarantee calls and other expenses covered by the guarantee, amounted to EUR 25.77 billion out of which EUR 23.59 billion from InvestEU fund, EUR 508.2 million in blending in the form of EU financial instruments, and EUR 1.77 billion in allocation from Member States (MS) and third parties.

The maximum guarantee amount signed with the **EIB** is EUR 8.43 billion out of which EUR 8.23 billion from the InvestEU Fund and EUR 200 million from blending.

The maximum guarantee amount signed with the **EIF** is EUR 13.48 billion, out of which EUR 11.75 billion from the InvestEU Fund, EUR 308.16 million from blending and EUR 1.42 billion from MS and third parties.

For details on guarantee agreements signed with other IFIs and national promotional banks and institutions (**NPBIs**), see the full breakdown in the "Financial information at the level of guarantee agreement" section.

The guarantee covers the risk related to the already signed operations which at end-23 amounted to EUR 19.19 billion, out of which EUR 6.95 billion by the EIB and EUR 11.28 million by the EIF.

all figures in EUR

| | EU contingent and financial liability | |
|---|---|---|
| | **31/12/2023** | **31/12/2022** |
| **Available guarantee signed with counterparts** | 25,766,699,126 | 21,280,363,333 |
| **EU risk for operations signed by counterparts** | 6,592,288,897 | 2,107,685,441 |
| **EU risk for operations signed by counterparts and disbursed** | 1,433,066,587 | 324,252,837 |

Under the InvestEU Agreement, the European Union is entitled to a remuneration for its guarantee. In 2023, the EU has received EUR 10.29 million of revenues, split by EUR 10.22 million of revenues from the EIB Group and EUR 66 thousand from CEB.

The revenues have been partially used to cover the 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 provisioning of the InvestEU compartment of the CPF.

all figures in EUR

| | EU guarantee revenues | |
|---|---|---|
| | **2023** | **Cumulative until 31-12-2023** |
| **EU guarantee revenues** | 10,293,711 | 13,057,115 |

In 2023, the EIB called EUR 1.59 million in relation to the InvestEU share of the guarantee call under the D1 portfolio.

For the EIF, the guarantee calls for 2023 amounted to EUR 3.19 million related to operations covered by the InvestEU guarantee.

all figures in EUR

| | Guarantee calls and recoveries | |
|---|---|---|
| | **2023** | **Cumulative until 31-12-2023** |
| **Guarantee calls** | 4,774,149 | 4,844,619 |
| **Recoveries** | 91,769 | 91,769 |
| ***Net guarantee calls*** | 4,682,380 | 4,752,850 |

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

all figures in EUR

| | Expenses | |
|---|---|---|
| | **2023** | **Cumulative until 31-12-2023** |
| **Fees to counterparts** | 103,341,182 | 112,586,916 |
| **Other expenses (recovery costs, funding costs, other)** | 22,607,352 | 23,208,251 |

## Financial information at the level of guarantee agreement

all figures in EUR and as at 31/12/2023

| | 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.<br><br>The Bank's investments under the InvestEU programme will cover EU projects operating in the following policy windows:<br>- sustainable infrastructure;<br>- research, innovation and digitisation;<br>- social investment and skills.<br><br>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.<br><br>The EIF investments under the InvestEU programme will cover EU projects operating in all InvestEU policy windows.<br><br>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.<br><br>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** | 8,428,643,885 | 13,481,068,467 | 372,000,000 |
| out of which from InvestEU fund: | 8,228,643,885 | 11,751,956,043 | 372,000,000 |
| out of which blending in form of financial instrument (excl. grants): | 200,000,000 | 308,159,472 | 0 |
| out of which allocated from MSs and third parties: | 0 | 1,420,952,952 | 0 |
| **Operation type** | Debt-Type operations and Equity Type | Guarantee and Equity Operations | Intermediated equity |
| **Investment window** | 45%SIW, 53% RIDW, 2% SISW | 46% SMEW, 11% SISW, 12% RIDW, 31% SIW | 84% RIDW, 16% SIW |
| **Cumulative operations signed by counterpart** | 6,945,499,103 | 11,282,671,553 | 620,000,000 |
| **Cumulative operations disbursed by counterpart** | 1,828,720,000 | 967,461,734 | 116,727,668 |
| **EU contingent and financial liability** | | | |
| **Available guarantee signed with counterpart** | 8,426,987,697 | 13,389,558 | 367,340,063 |
| **EU risk for operations signed by counterpart** | 1,623,391,595 | 4,661,935,822 | 197,500,000 |
| **EU risk for operations signed by counterpart and disbursed** | 751.201.595 | 544,111,533 | 58,363,834 |
| **Cumulative guarantee calls and recoveries** | | | |
| **Cumulative guarantee calls** | 1,656,188 | 3,188,431 | 0 |
| **Cumulative recoveries** | 0 | 91,769 | 0 |
| ***Cumulative net guarantee calls*** | 1,656,188 | 3,096,662 | 0 |
| **Cumulative expenses** | | | |
| **Fees to counterpart** | 40,617,220 | 67,075,852 | 2,313,186 |
| **Other expenses cumulative over all mandates** | 2,883,369 | 17,778,131 | 2,346,751 |

all figures in EUR and as at 31/12/2023

| | 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.<br><br>The geographical focus of the projects is 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.<br><br>The geographical focus of the projects is Denmark, Estonia, Finland, Latvia, Lithuania, Poland and Sweden. |
| **Maximum guarantee signed with counterpart** | 751,784,150 | 159,125,000 | 114,000,000 |
| out of which from InvestEU fund: | 610,000,000 | 159,125,000 | 114,000,000 |
| out of which blending in form of financial instrument (excl. grants): | 0 | 0 | 0 |
| out of which allocated from MSs and third parties: | 141,784,150 | 0 | 0 |
| **Operation type** | Debt Financing | Debt Financing | Debt Financing |
| **Investment window** | 79% SIW, 16 % RIDW, 5% SISW | 16% SIW, 84% SISW | 83% SIW, 17% RIDW |
| **Cumulative operations signed by counterpart** | 10,600,000 | 214,500,000 | 87,597,285 |
| **Cumulative operations disbursed by counterpart** | 0 | 68,264,625 | 0 |
| **EU contingent and financial liability** | | | |
| **Available guarantee signed with counterpart** | 750,061,492 | 159,125,000 | 114,000,000 |
| **EU risk for operations signed by counterpart** | 2,517,500 | 68,264,625 | 20,804,355 |
| **EU risk for operations signed by counterpart and disbursed** | 0 | 68,264,625 | 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 31/12/2023

| | Guarantee Agreement CDC | Guarantee Agreement BGK | Guarantee Agreement Bpifrance |
|---|---|---|---|
| **Overview** | | | |
| **Effective** | Yes | Yes | Yes |
| **Counterpart** | CDC | BGK | Bpifrance |
| **Description** | Under the InvestEU programme Caisse des Dépôts will unlock up to EUR 700 million 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 | Under the InvestEU programme BGK will aim to unlock up to an expected EUR 484 million for sustainable infrastructure and innovation investments across Poland. The guarantee will back long-term finance for a wide range of private and public sector entities, in several priority areas of InvestEU, including renewable energies, low-carbon transport, ICT, digitalisation, healthcare and innovation. | Under the InvestEU Programme Bpifrance expects to unlock EUR 1 billion of investments to support innovative SMEs and small mid-cap companies in France. |
| **Maximum guarantee signed with counterpart** | 372,500,000 | 277,784,000 | 500,000,000 |
| out of which from InvestEU fund: | 372,500,000 | 277,784,000 | 500,000,000 |
| out of which blending in form of financial instrument (excl. grants): | 0 | 0 | 0 |
| out of which allocated from MSs and third parties: | 0 | 0 | 0 |
| **Operation type** | Debt Financing | Debt Financing | Intermediated Equity and Debt Financing |
| **Investment window** | 57% SIW, 43% SISW | 79% SIW, 21% RIDW | 80% SMEW, 20% 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** | 372,500,000 | 277,784,000 | 500,000,000 |
| **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 31/12/2023

| | Guarantee Agreement CDP | Guarantee Agreement Garantiqa | Guarantee Agreement ICO |
|---|---|---|---|
| **Overview** | | | |
| **Effective** | Yes | Yes | Yes |
| **Counterpart** | CDP | Garantiqa | ICO |
| **Description** | Under InvestEU programme, CDP is committed to mobilize an expected amount of more than EUR 700 million investments and long-term financing in business research and development, social and sustainable infrastructure and affordable social housing projects. | Garantiqa will use the European Union guarantee to mobilise investments in the SME Window of the InvestEU programme. Thanks to the agreement between the two parties, financing projects in areas such as agriculture and food industry, clean energy, digital, supply chain development, Research & Development, production efficiency, and support to Hungarian transition regions and rural development, becomes more accessible. | ICO will use the InvestEU guarantee agreement to mobilise an expected amount of up to EUR 150 million in investments in the green transition and critical infrastructure. More specifically, it will support investment in crucial energy, sustainable transport, environment and water, digital and social infrastructure projects. |
| **Maximum guarantee signed with counterpart** | 495,250,000 | 273,900,000 | 156,250,000 |
| out of which from InvestEU fund: | 495,250,000 | 273,900,000 | 156,250,000 |
| out of which blending in form of financial instrument (excl. grants): | 0 | 0 | 0 |
| out of which allocated from MSs and third parties: | 0 | 0 | 0 |
| **Operation type** | Debt Fin. and Intermediated Equity | Debt Financing | Intermediated Equity |
| **Investment window** | 51% SIW, 28% SISW, 21% RIDW | SMEW | SIW |
| **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** | 495,250,000 | 273,900,000 | 156,250,000 |
| **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 31/12/2023

| | Guarantee Agreement InvestNL | Guarantee Agreement PMV | Guarantee Agreement BDB |
|---|---|---|---|
| **Overview** | | | |
| **Effective** | Yes | Yes | Yes |
| **Counterpart** | InvestNL | PMV | BDB |
| **Description** | InvestNL, the Dutch National Promotional Institute, serves as an essential link between the public and private sectors and aims to promote a sustainable and innovative business environment in the Netherlands. By actively participating in European initiatives such as the InvestEU guarantee scheme, InvestNL contributes to the development of both a sustainable and innovative economy. | PMV offers tailor-made financial solutions to all entrepreneurs with a good business plan and a strong management team. It does so with capital, loans and guarantees. It also realises, with and for the government, and other partners, projects that are important for prosperity and welfare in Flanders. PMV has a portfolio with EUR 1.7 billion of assets under management. | The Bulgarian Development Bank (BDB) is a credit institution 100%-owned by the Bulgarian state. It was established in 1999 with focus to support small and medium-sized enterprises. The bank implements special mandates of the Bulgarian government like the anti-crisis measures to overcome the negative consequences of COVID-19. Essential part of the long-term goals of the bank is the support of sustainable investments. BDB is focusing on strengthening the bank's capacity to implement green policies. |
| **Maximum guarantee signed with counterpart** | 210,000,000 | 70,000,000 | 125,000,000 |
| out of which from InvestEU fund: | 210,000,000 | 70,000,000 | 0 |
| out of which blending in form of financial instrument (excl. grants): | 0 | 0 | 0 |
| out of which allocated from MSs and third parties: | 0 | 0 | 125,000,000 |
| **Operation type** | Direct Equity | Intermediate Equity | Intermediated capped and uncapped guarantees |
| **Investment window** | 21.5% SIW, 78.5% RIDW | SIW | 80% SMEW, 20% SIW |
| **Cumulative operations signed by counterpart** | 35,750,000 | 0 | 0 |
| **Cumulative operations disbursed by counterpart** | 22,250,000 | 0 | 0 |
| **EU contingent and financial liability** | | | |
| **Available guarantee signed with counterpart** | 208,942,000 | 70,000,000 | 125,000,000 |
| **EU risk for operations signed by counterpart** | 17,875,000 | 0 | 0 |
| **EU risk for operations signed by counterpart and disbursed** | 11,125,000 | 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** | 858,000 | 0 | 0 |
| **Other expenses (recovery costs, funding costs, other)** | 200,000 | 0 | 0 |

all figures in EUR and as at 31/12/2023

| | Guarantee Agreement NRB |
|---|---|
| **Overview** | |
| **Effective** | Yes |
| **Counterpart** | NRB |
| **Description** | Národní rozvojová banka / National Development Bank (NRB) is a specialised state-owned banking institution aimed at contributing to sustainable economic development of the Czech Republic. The NRB is the main provider of financial instruments funded from public and European resources as well as from own resources and in cooperation with private capital. It has become an important partner for the central state administration authorities, state funds, regions, municipalities and the private sector, particularly small and medium-sized enterprises. |
| **Maximum guarantee signed with counterpart** | 80,000,000 |
| out of which from InvestEU fund: | 0 |
| out of which blending in form of financial instrument (excl. grants): | 0 |
| out of which allocated from MSs and third parties: | 80,000,000 |
| **Operation type** | Intermediated capped guarantees |
| **Investment window** | SMEW |
| **Cumulative operations signed by counterpart** | 0 |
| **Cumulative operations disbursed by counterpart** | 0 |
| **EU contingent and financial liability** | |
| **Available guarantee signed with counterpart** | 80,000,000 |
| **EU risk for operations signed by counterpart** | 0 |
| **EU risk for operations signed by counterpart and disbursed** | 0 |
| **Cumulative guarantee calls and recoveries** | |
| **Cumulative guarantee calls** | 0 |
| **Cumulative recoveries** | 0 |
| ***Cumulative net guarantee calls*** | 0 |
| **Cumulative expenses** | |
| **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 available guarantee signed at 31/12/2023** |
| 1,548,968,935 | 1,077,146,939 |
| **of which ceiling authorised in the legal basis (in EUR)** | **Counterparts** |
| 1,500,000,000 | Agence Française de Développement (AFD),<br>Cassa Depositi e Prestiti (CDP),<br>Compañía Española de Financiación del Desarrollo (COFIDES),<br>European Bank for Reconstruction and Development (EBRD),<br>European Investment Bank (EIB),<br>International Finance Corporation (IFC),<br>Kreditanstalt für Wiederaufbau (KfW),<br>Nederlandse, Financierings-Maatschappij voor Ontwikkelingslanden (FMO),<br>PROPARCO. |
| **of which from external contributions (in EUR)** | |
| 48,968,935 | |
| **Budget Lines** | |
| 14.020170.02 | |

| | Cumulative to 2023 | 2024 | 2025 | 2026-2027 | Total |
|---|---|---|---|---|---|
| **Budgetary commitment appropriations (in EUR)** | 805,066,009 | 1,005,174 | 0 | 0 | 806,071,183 |
| of which from voted budget | 750,000,000 | 0 | 0 | 0 | 750,000,00 |
| of which from internal assigned revenues | 6,097,074 | 1,005,174 | N/A | 0 | 7,102,248 |
| of which from external assigned revenues | 48,968,935 | 0 | N/A | 0 | 48,968,935 |
| **Budgetary payment appropriations (in EUR)** | 805,066,009 | 1,005,174 | 0 | 0 | 806,071,183 |
| of which from voted budget | 750,000,000 | 0 | 0 | 0 | 750,000,00 |
| of which from internal assigned revenues | 6,097,074 | 1,005,174 | N/A | 0 | 7,102,248 |
| of which from external assigned revenues | 48,968,935 | 0 | 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 Development 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 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 EFSD programme, 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 a target for finalising guarantee contracts by 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 paragraphs below will contain more detail on a number of individual guarantee agreements.

At the end of 2018, the Commission successfully negotiated the first guarantee agreement, the NASIRA programme with the Dutch Development Bank, FMO. Six more agreements followed in 2019. As of 31 December 2020, the Commission exhausted the capacity of the EFSD Guarantee after having signed 18 Guarantee Agreements with 10 partner institutions for a total guarantee amount of EUR 1.55 billion. All commitment and payment appropriations for the year 2020 were fully used. After this, partner financial institutions have four years to use the EFSD Guarantee to support the EU policy priorities. This means that next year's report will present the final results of the EFSD programme in terms of guarantee absorption and total number of operations financed under this programme.

Over the past year, there was an increased uptake of EFSD in our partner countries. By now, more than 80 operations have been included under EFSD guarantee cover, a significant increase in comparison to the previous reporting period. Deployment of EFSD Guarantees stands at 50%, despite six out of 16[20] guarantee programs remaining undeployed.

The Proposed Investment Programmes (PIP) with the highest deployment rates are the AHDP COVAX by the EIB (EUR 400 million in guarantee capacity), followed by KfW's TCX Capacity (EUR 145 million in guarantee capacity) and EBRD's Resilience (EUR 85 million in guarantee capacity).

As another example, in 2023, FMO amongst others signed transactions in Tanzania, Palestine and Rwanda and also a top up of an existing investment in Armenia, bringing the total guarantee volume used to EUR 55 million (out of EUR 100 million). New investments are planned until the end of investment period (19/08/2024) with a total guarantee volume of EUR 43 million. FMO is confident to deploy almost completely the remaining guarantee cover.

The EFSD Guarantee also supported Ukraine. A guarantee was provided to facilitate loans for emergency liquidity following situations where critical power generation infrastructure was taken under the control of Russia (or even destroyed). The proceeds of these loans are used

[20] At the end of 2023, two guarantee agreements were not active. One with AECID Resilient City Development in 2022 and the other one with EBRD - Framework to Scale-up renewable energy investments in 2023.

for working capital needs related to daily critical operations to continue a stable and secure supply of electricity to people in Ukraine.

IFC - Small Loan Guarantee Program reported implementation challenges given the past/current market developments, crises and competitive offerings and stressed the need for more flexibility to efficiently implement the program in priority countries. IFC is active to develop the pipeline in Sub-Saharan Africa (SSA) as well as in Ukraine (two operations concluded in 2023) and expects to continue delivering much needed support to Ukraine in 2024.

In 2023, COFIDES reported in general unfavourable changes of the political situation and investment environment in the partner countries. That led to slower implementation of the smaller projects in SSA. In particular, finding a sponsor is sometimes hard and processes are not always completed with success. COVID 19 followed by the Ukrainian crises, put many projects on hold and made it difficult to identify private resources.

In 2023, the CDP's European Guarantee for Renewable Energy – Non-Sovereign (EGRE NS) EFSD guarantee programme has not seen the expected deployment and will be cancelled in 2024 due to difficulties to generate an investment pipeline. In addition, the EBRD - Framework to Scale-up renewable energy investments lacked a solid pipeline of operation and the inclusion period ended in November 2023. Thus, it will be cancelled next year due to the changing of the Feed-in-Tariff regime in Ukraine, and eventually deterioration of the overall security situation, which was meant to be a major country of investment and the deterioration of the economic situation in the Neighbourhood South, due both to Covid and the economic fallout of the war in Ukraine.

Despite these setbacks, 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.

The experience of the EFSD guarantees allows to draw important lessons which are being considered in the contracting process of the EFSD+ guarantees. Guarantee programmes in the sectors of SME, equity, healthcare, and local currency, showed very positive deployment records, while guarantee programmes that target infrastructure investments require longer lead times and proved more complex to implement.

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 to be called by 2025 as potential beneficiaries did not activate the advance purchased agreements.

**Implementation arrangements**

The EFSD Guarantee is implemented by 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. All eligible counterparts to a guarantee agreement must be pillar-assessed entities. At this juncture all counterparts are public or private institutions with a public service mission[21]. These are mostly Member States' national development finance institutions and multilateral development finance institutions.

The list of current EFSD 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 in the guarantee agreements subsequently have up to four years **(31 December 2024)** as from the effective date of the contract to conclude operations under the guarantee. The duration of the guarantees extended to eligible counterparts under each guarantee agreement should not generally 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 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

[21] Counterpart has to be pillar assessed in line with Article 154.4 of the Financial Regulation.

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 2023, the EU contributed an additional EUR 2 million for Technical Assistance related to EFSD guarantees. In general, EFSD Technical Assistance funds the 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 2023 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 2023, partner financial institutions continued the implementation of the guarantee agreements signed under the EFSD. Many of the guarantee agreements were signed towards the end of 2020 and will reach the end of their investment period by the end of 2024.

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.

With cumulative disbursements still growing, the remaining 16 guarantee agreements (excluding COVAX, which was not meant to leverage investments) led to an average leverage ratio of 1.1.

The following table summarizes the key operational figures presented above:

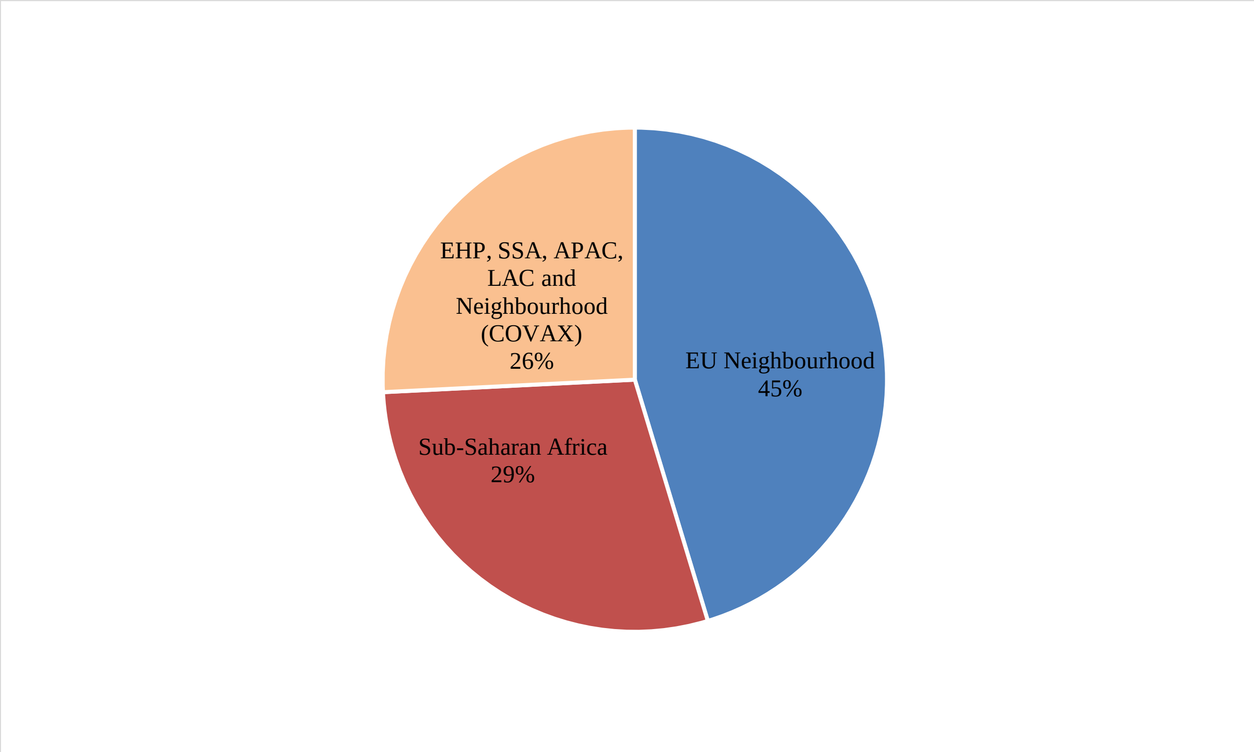
***Key Figures (as at 31/12/2023)***

| | |
|---|---|
| **Total amount of operations signed by counterparts (in EUR)** | 1,551,283,957 |
| **Total amount of operations disbursed (in EUR)** | 1,107,836,224 |
| **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)** | 1.1 |
| **Multiplier effect (ratio)** | 2 |

**Geographical diversification**

As of 31 December 2023, out of the total operations signed EUR 400 million of the EFSD Guarantee went to COVAX covering European Health Programme (EHP), Sub-Saharan Africa, Asia-Pacific countries, Latin American countries, and Neighbourhood, EUR 448 million from other PIPs (29%) to Sub-Saharan Africa and then EUR 703 million (45%) to the EU Neighbourhood.

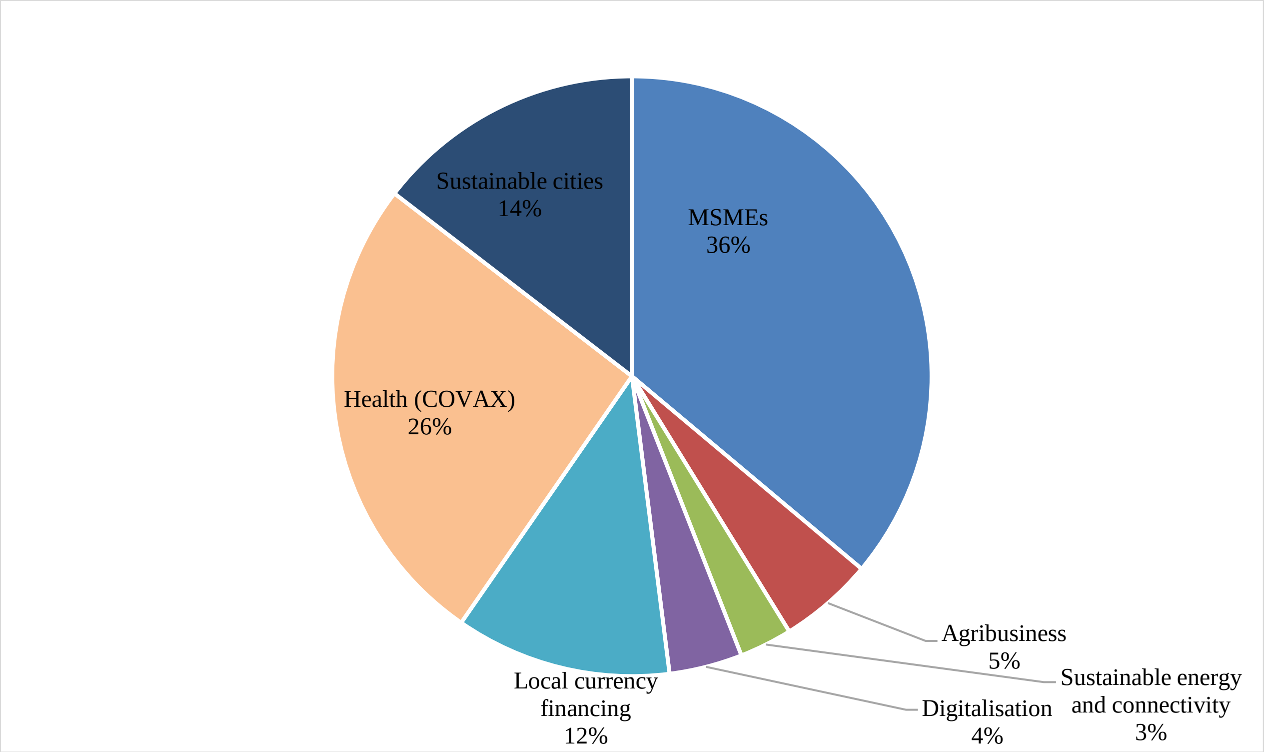
**EFSD geographical breakdown**



**Sectoral diversification**

As of 31 December 2023, out of the total operations signed EUR 560 million went to MSMEs (36%), EUR 79.1 million went to Agribusiness (5%), EUR 44.1 million (3%) went to Sustainable energy and connectivity, EUR 226 million (14%) to sustainable cities, EUR 61.2 million (4%) went to Digitalisation for development, EUR 180.8 million went to local currency financing (12%) and EUR 400 million (26%) went to Health in relation to COVAX.

**EFSD sectoral diversification**



### 1.3.3 Financial Information

As of 31 December 2023, sixteen EFSD guarantee agreements were effective with a total guarantee signed for EUR 1.07 billion. The operations signed by the counterparts under those agreements totalled EUR 1.55 billion, with the EU risk for those operations capped at EUR 547.52 million. The EU risk related to the amounts disbursed by the counterparts amounted to EUR 477.71 million. Given that the programme's inclusion period will end next year, the EU risk at the level of operations signed and disbursed is expected to remain stable in the coming years.

all figures in EUR

| | EU contingent and financial liability | |
|---|---|---|
| | **31-12-2023** | **31-12-2022** |
| **Available guarantee signed with counterparts** | 1,077,146,939 | 1,390,700,000 |
| **EU risk for operations signed by counterparts** | 547,522,618 | 610,668,652 |
| **EU risk for operations signed by counterparts and disbursed** | 477,713,345 | 535,250,632 |

all figures in EUR

| | EU guarantee revenues | |
|---|---|---|
| | **2023** | **Cumulative until 31-12-2023** |
| **EU guarantee revenues** | 1,718,089 | 3,716,914 |

all figures in EUR

| | Guarantee calls and recoveries | |
|---|---|---|
| | **2023** | **Cumulative until 31-12-2023** |
| **Guarantee calls** | 176,763 | 1,059,129 |
| **Recoveries** | 0 | 0 |
| ***Net guarantee calls*** | 0 | 0 |

all figures in EUR

| | Expenses | |
|---|---|---|
| | **2023** | **Cumulative until 31-12-2023** |
| **Fees to counterparts** | 0 | 0 |
| **Other expenses (recovery costs, funding costs, other)** | 0 | 0 |

all figures in EUR and as at 31/12/2023

| | 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. | VENTURES promotes sustainable development by:<br>- enabling the development and growth of young companies;<br>- contributing to healthy small local businesses.<br>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. | 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:<br>- mobilise financing and scale up investments<br>- drive enterprise development<br>- create new jobs<br>- generate sustainable economic growth<br>- improve the quality of life in Africa. |
| **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** | 339,248,720 | 61,227,599 | 0 |
| **Cumulative operations disbursed by counterpart** | 227,290,981 | 42,970,936 | 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** | 55,193,960 | 20,409,200 | 0 |
| **EU risk for operations signed by counterpart and disbursed** | 36,979,032 | 14,323,645 | 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 31/12/2023

| | 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** | No | 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:<br>- unlock the countries' renewable energy potential<br>- promote wider renewable energy development<br>- 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 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. | 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:<br>- energy efficiency<br>- flood protection<br>- public transport<br>- water and sanitation<br>- solid waste management.<br>The EU guarantee aims to protect private financiers and investors against certain government-related risks in developing urban infrastructure, such as offtake risk. The EU guarantee:<br>- reassures lenders that they'll recover at least some of their investment in the event of losses<br>- lowers the interest rate for borrowers<br>- 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.<br>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** | - | - | 44,146,212 |
| **Cumulative operations disbursed by counterpart** | - | - | 1,082,177 |
| **EU contingent and financial liability** | | | |
| **Available guarantee signed with counterpart** | - | - | 917,495 |
| **EU risk for operations signed by counterpart** | - | - | 917,495 |
| **EU risk for operations signed by counterpart and disbursed** | - | - | 917,495 |
| **Cumulative guarantee calls and recoveries** | | | |
| **Cumulative guarantee calls** | - | - | 0 |
| **Cumulative recoveries** | - | - | 0 |
| ***Cumulative net guarantee calls*** | - | - | 0 |
| **Cumulative expenses** | | | |
| **Fees to counterpart** | - | - | 0 |
| **Other expenses (recovery costs, funding costs, other)** | - | - | 0 |

all figures in EUR and as at 31/12/2023

| | 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:<br>- start-ups;<br>- women-led businesses;<br>- businesses led by young people.<br>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:<br>- access to future COVID-19 vaccines in Africa and the EU Neighbourhood,<br>- 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.<br>It will also support the transitioning to green, low-carbon and climate-resilient economies by supporting investments in:<br>- green city infrastructure<br>- green logistic chains<br>- energy efficiency<br>- green technology transfers in industrial processes, commercial operations and buildings. |
| **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** | 46,688,632 | 400,000,000 | 150,707,320 |
| **EU contingent and financial liability** | | | |
| **Available guarantee signed with counterpart** | 98,940,872 | 188,000,000 | 100,000,000 |
| **EU risk for operations signed by counterpart** | 32,940,872 | 130,000,000 | 73,312,044 |
| **EU risk for operations signed by counterpart and disbursed** | 13,278,127 | 130,000,000 | 70,519,236 |
| **Cumulative guarantee calls and recoveries** | | | |
| **Cumulative guarantee calls** | 1,059,129 | 0 | 0 |
| **Cumulative recoveries** | 0 | 0 | 0 |
| ***Cumulative net guarantee calls*** | 1,059,129 | 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 31/12/2023

| | 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.<br>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.<br>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** | 59,666,667 | 50,000,000 | 91,500,000 |
| **EU risk for operations signed by counterpart** | 666,667 | 0 | 0 |
| **EU risk for operations signed by counterpart and disbursed** | 666,667 | 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 31/12/2023

| | 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.<br>In development finance, loans are typically denominated in USD, Euro or Japanese Yen. This causes serious problems to borrowers triggering a severe fall in the value of the local currency in which the borrowers earn their income.<br>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. |
| **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** | 79,154,727 | 145,000,000 | 35,812,827 |
| **Cumulative operations disbursed by counterpart** | 42,842,380 | 145,000,000 | 35,812,827 |
| **EU contingent and financial liability** | | | |
| **Available guarantee signed with counterpart** | 63,121,905 | 145,000,000 | 20,000,000 |
| **EU risk for operations signed by counterpart** | 44,082,381 | 145,000,000 | 20,000,000 |
| **EU risk for operations signed by counterpart and disbursed** | 42,842,380 | 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** | No | Yes | Yes |
| **Counterpart** | CDP | COFIDES | IFC |
| **Description** | 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).<br>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. |
| **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 | 25,000,000 |
| **Cumulative operations disbursed by counterpart** | 0 | 0 | 6,500,000 |
| **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 | 25,000,000 |
| **EU risk for operations signed by counterpart and disbursed** | - | 0 | 3,186,762 |
| **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 |

# 1.4 External Lending Mandate

## 1.4.1 Description

| **Identification/reference to the basic act** |
|---|
| **Provisions for new disbursements under ELM:** Decision (EU) 2022/1628 of the European Parliament and of the Council of 20 September 2022 providing exceptional macro-financial assistance to Ukraine, reinforcing the common provisioning fund by guarantees by Member States and by specific provisioning for some financial liabilities related to Ukraine guaranteed under Decision No 466/2014/EU, and amending Decision (EU) 2022/1201 (OJ L 245, 22.9.2022, pp. 1–13), Art 12.<br>**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.<br>**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.<br>**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).<br>**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 available guarantee signed at 31/12/2023** |
|---|---|
| 70,869,500,000 | 27,728,802,411 |
| **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** |
|---|
| **2021-27:**<br>14.020170 (part) - NDICI — Global Europe — Provisioning of the common provisioning fund - ELM<br>15.020203 (part) - IPA III — Provisioning of the common provisioning fund - ELM<br>16.060303 (part) - Provisioning of the Common Provisioning Fund - Legacy<br>**Provisioning of the GFEA:**<br>2014-2020: 01 03 06 - Provisioning of the Guarantee Fund for external actions<br>2007-2013: 01 04 01 14 - Provisioning of the Guarantee Fund<br>2000-2006: 01 04 01 13 - Reserve for loans and loan guarantees to and in non-member countries<br>01 04 01 14 - Payments to the Guarantee Fund in respect of new operations |

| | **Cumulative to 2023** | **2024** | **2025*** | **2026-27*** | **Total** |
|---|---|---|---|---|---|
| **Budgetary commitment appropriations (in EUR)** | 2,852,933,935 | 214,740,311 | 370,066,667 | 740,133,334 | 4,177,874,247 |
| of which from voted budget | 2,817,798,849 | 214,740,311 | 370,066,667 | 740,133,334 | 4,142,739,161 |
| of which from internal assigned revenues | 0 | 0 | 0 | 0 | 0 |
| of which from external assigned revenues | 35,135,086 | 0 | 0 | 0 | 35,135,086 |
| **Budgetary payment appropriations (in EUR)** | 2,852,933,935 | 214,740,311 | 370,066,667 | 740,133,334 | 4,177,874,247 |
| of which from voted budget | 2,852,933,935 | 214,740,311 | 370,066,667 | 740,133,334 | 4,142,739,161 |
| of which from internal assigned revenues | 0 | 0 | 0 | 0 | 0 |
| of which from external assigned revenues | 35,135,086 | 0 | 0 | 0 | 35,135,086 |
| ** Amounts in 2025-2027 refer to the ELM repurposed loans* | | | | | |

## 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"). Decision (EU) 2022/1628 of the European Parliament and of the Council of 20 September 2022 providing exceptional macro-financial assistance to Ukraine, reinforcing the Common Provisioning Fund by guarantees by Member States and by specific provisioning for some financial liabilities related to Ukraine guaranteed under Decision No 466/2014/EU, and amending Decision (EU) 2022/1201 (OJ L 245, 22.9.2022, pp. 1–13), Art 12.

The respective decisions lay down provisions to ensure that EIB financing under the ELM is consistent with corresponding EU 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 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,

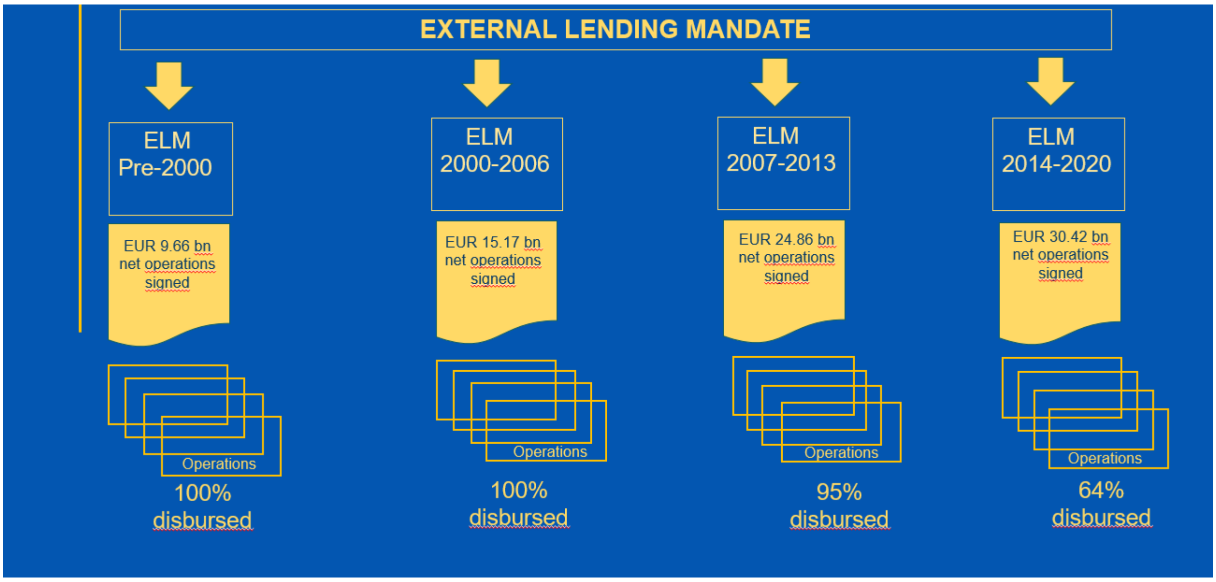
- enhanced flexibility for additional reallocations between and within the (sub)-regions under the original overall lending ceilings of EUR 32.3 billion by lifting the initial 20% limit, and

- 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 2023** (amounts refer to signed volumes of EIB financing operations, net of cancellations, and excluding operations in countries that have meanwhile become EU Member States).

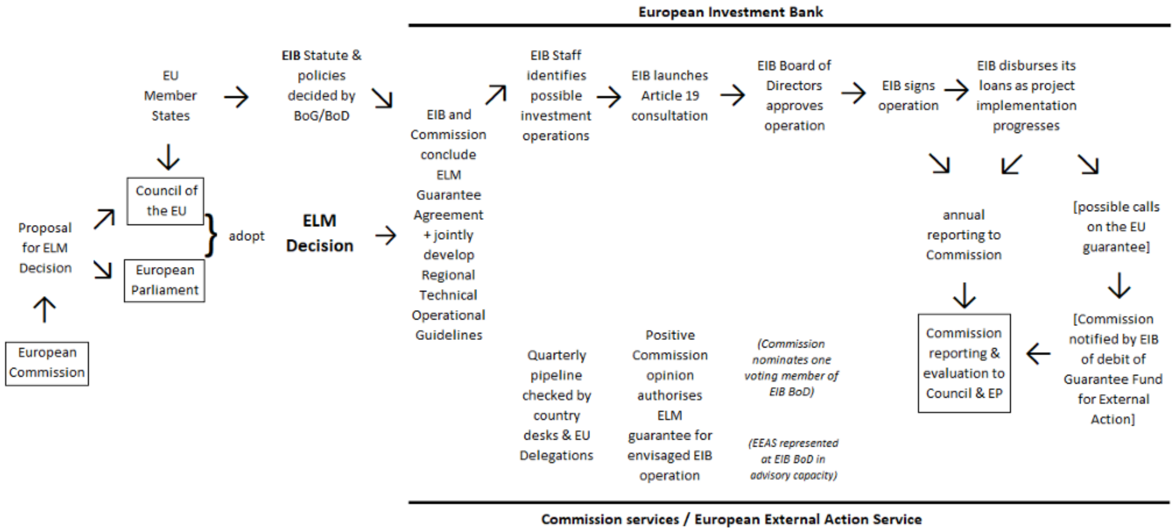



**Implementation arrangements**

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'[22], 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.[23]

[22] Article 19 of Protocol No. 5 attached to TFEU on the statute of the EIB.

[23] 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 2023, 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 2023, the Neighbourhood Investment Platform approved a top-up to the Palestine Financial Sustainability Programme which will provide more investment grants (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 2023, operations signed by the EIB under **all** ELM mandates amount to EUR 92.4 billion (i.e. EUR 80.1 billion when excluding countries that have meanwhile become EU Member States) and the total amount of operations disbursed is EUR 80.3 billion (or EUR 68.0 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 in a certain way 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 approximately 17 and the multiplier from 3.1 to 33. In any event, 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 at 31/12/2023)***

| | |
|---|---|
| **Total amount of operations signed by counterparts (in EUR)** | 80,123,576,848 |
| **Total amount of operations disbursed (in EUR)** | 68,031,036,718 |
| **Amount transferred to final recipients (in EUR)** | 68,031,036,718 |
| **Number of final recipients** | 668 |
| **Investments made by final recipients** | 136,062,073,436 |
| **Private sector resources mobilised** | 17,858,000,000 |
| **Leverage (ratio)** | 1.5 |
| **Multiplier effect (ratio)** | 3.1 |

**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 2023.

### 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 2023, the amount of EU liability guarantee on outstanding ELM loans disbursed to final recipients – also taking into account the 65% first loss structure - totalled EUR 19.9 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 EUR 27.7 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 | |
|---|---|---|
| | **31/12/2023** | **31/12/2022** |
| **Available guarantee signed with counterparts** | 27,728,802,411 | 30,598,893,323 |
| **EU risk for operations signed by counterparts** | 27,728,802,411 | 30,598,893,323 |
| **EU risk for operations signed by counterparts and disbursed** | 19,856,411,533 | 20,908,779,595 |

In 2023, a total of EUR 127.6 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, while EUR 86.4[24] million has been recovered from previous calls. *Pro memoria*, when the EU makes a payment under the EU guarantee, it is subrogated into the rights and remedies of the EIB.

The year 2023 was marked by historically high recoveries, as explained in the following table:

[24] Amount notified by the EIB at the end of 2023. Part of this amount was not cashed-in at the end of 2023 and will be recovered in 2024.

| Country | Recoveries (in EUR) |
|---|---|
| Tunisia | 1.415.860,59 |
| Russia | 5.567.687,91 |
| Belarus | 14.894.111,13 |
| Ukraine | 19.537.215,97 |
| Lebanon | 44.989.529,71 |
| **Total** | **86.404.405,31** |

1. **LEBANON:**

- Financial institutions:

The continuing deterioration of the country's situation resulted in lasting payment defaults from Lebanese financial institutions. In 2021, the EIB managed to secure the payment of most contractual interests, but this became more challenging to achieve in later years. Since 2022, due to the still declining financial, economic and political context in the country, the EIB's discussions with its borrowers increasingly focused on restructuring or exit solutions (e.g. settlements) rather than intermediate solutions such as temporary payment deferrals.

Discussions held in 2023 with Lebanese borrowers continued to follow a similar pattern as in 2022. Cash settlements have been sought with clients having the weakest liquidity and which were generally in breach of regulatory liquidity ratios (c. 33% of the EIB's Lebanese bank portfolio) whereas long term restructurings have been pursued with banks which have stronger 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).

To recall, on 21 December 2022, the 2011 ELM Guarantee Agreement ("2011 GA") was amended, among others, to allow the EIB to restructure its exposure 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 addressed the issues related to the Lebanese financial institutions covered by the Political Risk Guarantee under the 2011 GA.

**Byblos Bank SAL:** In this framework, Byblos Bank SAL (by far the largest exposure within the EIB portfolio in Lebanon) and the EIB had lengthy negotiations that successfully concluded in a restructuring made effective with value date 15 September 2023 after signing the amendment of the restructuring deed on 22 December 2023.

**Fransabank SAL ("FSB")**: Fransabank was one of the first Lebanese financial institutions defaulting in October 2020. The EIB had three loans with this borrower for a total disbursed exposure of USD 57 million, two covered by the Political Risk Guarantee and one covered by the Comprehensive Guarantee. The EIB signed a settlement agreement with Fransabank SAL effective as of 3 August 2023, entailing a payment from the borrower and a write-off of the outstanding balance of the loans.

**IBL Bank SAL ("IBL")**: IBL defaulted in December 2021 and the EIB had one loan covered by the Comprehensive Guarantee with exposure in both USD and EUR for USD 14.4 million and EUR 2 million respectively. The EIB signed a settlement agreement with this borrower which was implemented in September 2023.

- **Lebanese sovereign loans:**

Lebanon missed two payments contractually due in June and July 2023 for a total amount of EUR 10.2 million which were called under the ELM guarantee in September 2023.

Following discussions between the EIB, the Ministry of Finance ("MoF") in Lebanon and the Central Bank of Lebanon, the EIB recovered these amounts in October 2023 and refunded them to the EC.

On 15 November 2023, Lebanon missed another instalment due for EUR 1.6 million. As a result of the sustained discussions with the MoF and the Central Bank, the EIB recovered these amounts in January 2024. The instalment due in November 2023 was not called under the ELM guarantee, therefore only outstanding late payment interests were the subject of a refund to the EC in 2024.

2. **SYRIA:**

Syria started defaulting on EIB loans in 2011, soon after the start of the civil war. Most of these loans were guaranteed by the EU.

By end 2023, the EU had paid over EUR 608 million to the EIB to honour the guarantee call provisions of the Guarantee Agreements. For these amounts that the EU paid as guarantor to the EIB, the EU is subrogated (i.e., it "owns the claims"), and it continues to be represented by the EIB as the Recovery Agent.

In 2018-19, a series of judgments were made in favour of the EIB/EU in relation to loan instalments unpaid by Syria from 2011 till mid-2017. The total value of the judgments in this *'first round of litigation'* reached approximately EUR 380 million.

In July 2022, the EIB initiated a *'second round'* of court proceedings at the UK High Court and at the General Court of the EU (for loans unpaid between mid-2017 and mid-2022).

On 9 June 2023, the English Court ruled in favour of the EU for its full claims in the sum of EUR 135 million. Furthermore, in October 2023, the General Court of the EU also ruled in favour of the EU and EIB on six of the eight pending cases for an amount equivalent to EUR 75 million whereas the two additional cases (claims for around EUR 54 million) were ruled by default in late December 2023.

In brief, the total value of judgements obtained by the EU/EIB by end of 2023 corresponds to over EUR 644 million, plus late payment penalties. The EU and EIB are undertaking relevant efforts to enforce these judgments.

3. **TUNISIA:**

The restructuring of the Aéroport Enfidha loan became effective end-February 2021. Despite continued economic difficulties of Tunisia and of the project promoter throughout 2023, the

EIB recovered EUR 1.4 million from TAV Tunisie SA which were retroceded as recoveries to the EC.

4. **UKRAINE[25]:**

In agreement with the European Commission, the EIB has taken a supportive approach towards several non-sovereign Ukrainian borrowers unable to perform fully their payment obligations as a direct consequence of Russia’s unprovoked invasion of Ukraine in February 2022.

In particular, the EIB granted for a limited period of time certain waivers or payment standstills to several borrowers and refrained from taking enforcement actions regarding the payment defaults or other defaults that would have occurred.

In 2023, several additional supportive measures were put in place, including the injections of limited amounts of new money, helping borrowers to repair their facilities and resume operations. The agreed approach involves a possibility for EIB to restructure the respective non-sovereign exposures where needed.

Despite the ongoing war, it is worth noting that Ukrainian financial institutions and the sovereign have consistently honoured all their payment obligations towards the EIB.

5. **RUSSIA:**

An EIB loan to the Russian Federation for the St Petersburg Flood Barrier Project was signed in 2005 for EUR 40 million.

Following Russia’s unprovoked aggression against Ukraine in 2022 and because of international sanctions, attempts to repay the loan maturities 2022-23 were blocked by a correspondent bank.

The EIB therefore called on the EU guarantee for amounts corresponding to the unpaid sums.

With support from the Commission, the EIB obtained necessary licenses that enabled the borrower to settle the arrears and to prepay the outstanding amount of the loan in late 2023. The corresponding amounts were refunded to the EU in early 2024.

The borrower has continuously disputed the settlement of any late payment interest and rejects the settlement of the remaining late payment interest due.

6. **BELARUS:**

A Belarussian state-owned bank (JSC Belagroprombank) missed payments towards the EIB in August 2022 (EUR 14.9 million) due to settlement difficulties related to sanctions (SWIFT

[25] For ELM repurposed loans to Ukraine as per MFA2 decision, refer to Section 3.

ban). The EIB subsequently called these instalments under the ELM guarantee. Following intensive efforts to identify a viable solution for payments, the EIB successfully cleared the payment route with relevant regulatory authorities. Following a repayment of overdue principal and interest in early 2023, the borrower proceeded with prepaying the outstanding amount of the loan. However, the borrower has so far declined to cover late payment interest and administrative fees.

all figures in EUR

| | Guarantee calls and recoveries | |
|---|---|---|
| | **2023** | **Cumulative until 31-12-2023** |
| **Guarantee calls** | 127,633,084 | 980,607,601 |
| **Recoveries*** | 86,404,405 | 95,996,886 |
| **Net guarantee calls** | 41,228,678 | 884,610,713 |

** Amount notified by the EIB at the end of 2023. Part of this amount was not cashed-in at the end of 2023 and will be recovered in 2024.*

The EIB in principle does not remunerate the ELM guarantee (with the exception of 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 7.12 million of revenues have been received from EIB for 2023 and EUR 35.2 million is the total amount of revenues that accrued for the EU under the ERI Private Mandate cumulatively from 2019-2023.

all figures in EUR

| | EU guarantee revenues | |
|---|---|---|
| | **2023** | **Cumulative until 31-12-2023** |
| **EU guarantee revenues** | 7,123,783 | 35,199,686 |

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 | |
|---|---|---|
| | **2023** | **Cumulative until 31-12-2023** |
| **Fees to counterparts** | 0 | 0 |
| **Other expenses (recovery costs, funding costs, other)** | 133,038 | 2,677,768 |

# 1.5 European Fund for Sustainable Development Plus

## 1.5.1 Description

### European Fund for Sustainable Development Plus

| **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 | |
| **Maximum amount of budgetary guarantee (in EUR)** | **of which available guarantee signed 31/12/2023** |
| 39,379,941,478 | 28,114,941,478 |
| **of which ceiling authorised in the legal basis (in EUR)** | **Counterpart** |
| 39,136,000,000 | European Investment Bank (EIB)<br>Agence Française de Développement (AFD)<br>European Bank for Reconstruction and Development (EBRD)<br>European Development Finance Institutions (EDFI)<br>Finnish Fund for Industrial Cooperation (Finnfund)<br>Kreditanstalt für Wiederaufbau (KfW)<br>Internationa Finance Corporation (IFC) |
| **of which from external contributions (in EUR)** | |
| 243,941,478 | |
| **Budget Lines** | |
| 14.020170.01 (NEAR) EFSD+<br>14.020170.01 (INTPA) EFSD+<br>15.020203.01 (NEAR) EFSD+ | |

| | **Cumulative to 2023** | **2024** | **2025** | **2026-2027**[26] | **Total** |
|---|---|---|---|---|---|
| **Budgetary commitment appropriations (in EUR)** | **3,635,036,887** | **566,643,073** | **812,434,075** | **3,918,533,954** | **8,932,647,989** |
| of which from voted budget[27] | 3,390,595,409 | 437,606,422 | 690,934,075 | 3,912,551,602 | 8,431,687,508 |
| of which from internal assigned revenues[28] | 500,000 | 460,481 | N/A | N/A | 960,481 |
| of which from external assigned revenues[29] | 243,941,478 | 128,576,170 | 121,500,000 | 5,982,352 | 500,000,000 |
| **Budgetary payment appropriations (in EUR)** | **2,149,765,750** | **1,921,729,645** | **621,500,000** | **2,329,652,593** | **7,022,647,988** |
| of which from voted budget | 1,905,324,272 | 1,792,692,994 | 500,000,000 | 2,323,670,241 | 6,521,687,507 |
| of which from internal assigned revenues | 500,000 | 460,481 | N/A | N/A | 960,481 |
| of which from external assigned revenues | 243,941,478 | 128,576,170 | 121,500,000 | 5,982,352 | 500,000,000 |

[26] Remaining balance will be paid during the next MFF.

[27] The voted budget will be increased by EUR 750 million in 2025-2027.

[28] Fees.

[29] ACP reflows.

## 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 the main financial tool of the EU's international cooperation for the period of 2021-2027.

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

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 NDICI-Global Europe and given a wider scope. It is an integrated financial package providing 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 EFSD+, they are covered by the broader External Action Guarantee (EAG), for a maximum amount of EUR 53.4 billion, which supports not only the EFSD+ guarantees but also MFA loans and Euratom loans to third countries.

In particular, the EFSD+ guarantee provided for in the Regulation can be deployed for the following objectives:

- Investments by sovereign and non-commercial sub-sovereign counterparts, for which the EU provides guarantee coverage for EIB operations. The EIB is indeed the only implementing partner entrusted with the implementation of the so called "**EFSD+ Investment Window 1**", which offers comprehensive risk cover for activities with sovereign counterparts and non-commercial sub-sovereign counterparts. For the sake of completeness, other partners can be involved for operations that the EIB cannot carry out or decides not to carry out.
- Investments by commercial sub-sovereign counterparts, which are not backed by an explicit guarantee of a State and that are financially able to borrow at their own risk and have the legal capacity to do so. This type of operations will be covered by the EU comprehensive guarantee under the so-called "**EFSD+ Investment Window 2**", which is dedicated but non-exclusive to the EIB. This Window should be deployed on terms similar to the ones provided to other eligible counterparts within other Windows (i.e., "EFSD+ Open Architecture", referred below). The European Commission and the EIB are negotiating the specific conditions under which this guarantee will be granted.
- Investments by (higher risk) private sector operators in Africa, Caribbean and Pacific (ACP) countries, supported by the so-called "**EFSD+ Investment Window 4**". The Joint Understanding on the re-use of the ACP Investment Facility (IF) reflows between the European Commission and EIB stipulates that 50% of the available reflows under the ACP IF will be allocated to the EIB dedicated Investment Window 4 for which the EU provides a comprehensive guarantee.
- Investments by 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**".

In terms of numbers, the EFSD+ guarantee capacity originally amounted to a maximum of EUR 39.825 billion, of which EUR 26.725 billion was allocated to the EIB (dedicated EFSD+ Investment Window 1 and possibly to two additional non-exclusive dedicated investment windows and EUR 13.1 billion for other implementing partners under the EFSD+ Open Architecture.

However, in the context of Russia's unprovoked war of aggression against Ukraine, it was agreed that the EU would contribute to the EIB Support Package for Ukraine by providing guarantee cover for EIB loans amounting to EUR 100 million under EFSD+ Window 1. Given the Commission's risk assessment concerning this expected additional exposure to Ukraine – Ukrainian exposures are currently provisioned at 70% - and the fact that the underlying amount of available provisioning for the EFSD+ Window 1 Guarantee remained unchanged, the EIB has agreed to reduce its planned utilisation of the "EFSD+ dedicated Investment Windows limit" set out in the EFSD+ Guarantee Agreement for Window 1 from EUR 26.725 billion to EUR 26.036 billion until further notice.

Under all modalities (i.e., EFSD+ Investment Windows 1, 2, 4 and Open Architecture), NDICI-Global Europe defines the key guiding principles that should be applied in the implementation of EFSD+ guarantees. 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 are 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 Guarantee Agreement through which the EC supports through the EU guarantee up to EUR 26.036 billion of EIB financial operations to enable crucial public investments in sectors like clean energy, digital and transport infrastructure, health and education. The respective financing operations can be signed by the EIB until the end of 2028. This EFSD+ Window 1 Guarantee Agreement is the largest guarantee agreement to be signed in the framework of the EFSD+. In the case of EFSD+ Investment Window 1, the amount of EUR 26.036 billion represents both the EU guarantee cover available to the EIB and the maximum volume of EIB financing operations that the EIB can sign and have covered under the EFSD+ Window 1 Guarantee Agreement. In other words, the EU guarantee cover and the volume of the EIB’s covered operations coincide.

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 under the EFSD+ Investment Window 1. It also includes provisions on new cooperation modalities between both institutions, the EC and EIB, such as the so called “3-stage Approval process” designed to develop and approve operations in the spirit of the “policy first” approach of the NDICI - Global Europe Regulation.

As established in Article 3 of the Guarantee Agreement between the EU and the EIB, all EIB operations must follow a 3-stage approval process through which the EC provides feedback and authorisation to the EIB so that it can advance in the development, approval and subsequent implementation of the corresponding financing operations.

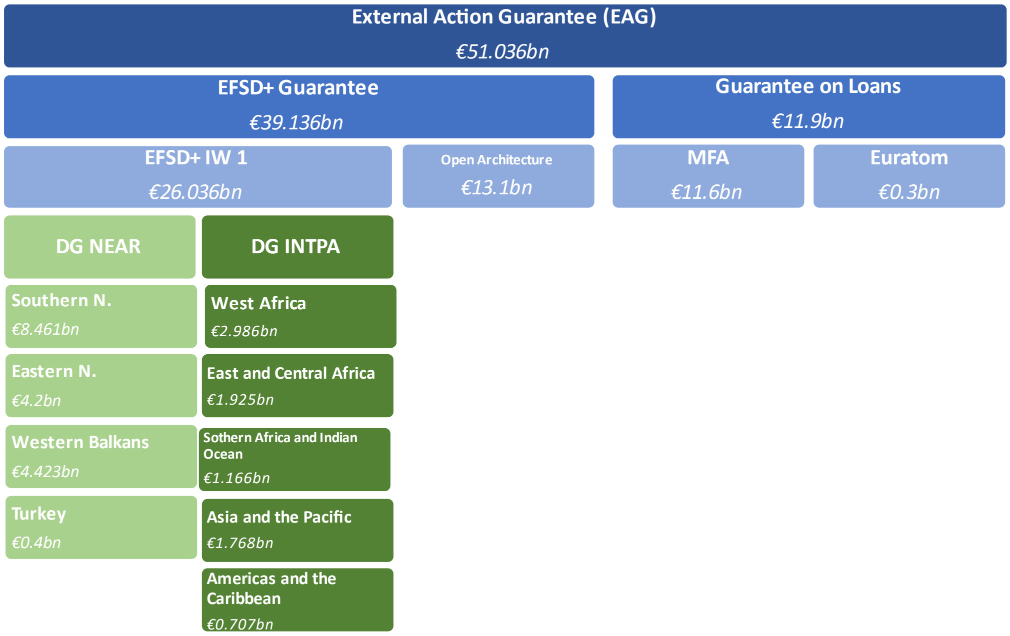
The “upstream coordination” represents the first stage in the programming cycle, where the EU, EIB and National Authorities work closely to identify projects and programmes that adequately respond to policy priorities established vis-à-vis a given country. The “Article 19 consultation” represents the second stage. It refers to a consultation process set out in the EIB Statute (Art. 19) by which the EC/European External Action Service has the opportunity to provide an opinion on each envisaged EIB operation. The EFSD+ Eligibility Assessment procedure represents the third stage, 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.

The indicative regional allocations set out in the Guarantee Agreement for the EFSD+ Investment Window 1 have been modified driven by pressing needs to support partner countries that have emerged throughout the year, notably in Türkiye following the earthquakes in February 2023, and in Ukraine given Russia's war of aggression. These modifications are already reflected in the diagram above.

In addition to the guarantee specifically reserved for the EIB, the EC will also provide under the EFSD+ open architecture up to EUR 13.1 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 dynamic 65% portfolio first loss piece, thus providing a substantial risk cover.

The EFSD+ Investment Window 1 is not remunerated.

Pursuant to Council Decision 2020/2233 of 23 December 2020 concerning the commitment of the funds stemming from reflows under the ACP Investment Facility from operations under the 9th, 10th and 11th European Developments Funds, funds stemming from reflows under the ACP Investment Facility from operations under the 9th, 10th, and 11th European Development Funds after 30 June 2021 shall constitute contributions to the NDICI-GE Regulation in the form of external assigned revenues for the purposes of providing funding through the EIB.

The Investment Window 4 GA was signed following implementing decision C(2023)809 on the Investment Window 4 and the ACP Trust Fund.

On 28 February 2023, the EU and the EIB signed an EFSD+ Guarantee Agreement establishing the EU guarantee under the EFSD+ Investment Window 4, providing comprehensive risk cover for loans to the ACP private sector.

Investment Window 4 promotes inclusive and sustainable private sector driven economic growth and development, with the ultimate objective of reducing poverty, contributing to achieving the SDGs and creating sustainable jobs. In addition, it aims to maximise additionality of funding, address market failures and suboptimal investment situations, deliver innovative products and mobilize private sector funds. These objectives will be pursued following the policy first approach and in line with the NDICI programming documents.

In September 2023, the Commission and EIB signed the “Proposal from the DG INTPA-EIB Working Group on the Global Gateway Adjustment Plan for DG INTPA- EIB Private Sector Operations”. Among others, the proposal focuses on adjustments to several aspects of the operations under EFSD+, including private sector operations and therefore those under the Investment Window 4.

In the case of the Open Architecture Window, 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 Commission 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.

In December 2022, the EFSD+ Operational Board approved the contracting of 40 guarantee programmes under the Open Architecture with a total guarantee capacity of EUR 6.055 billion. In 2023, the guarantee agreement for Window 4 with EIB, and four EFSD+ Open Architecture guarantees have been signed, namely the Human Development Accelerator with the EIB, Africa Connected with Finnfund, the African Local Currency Bond Guarantee Programme with KfW, and Better Future Programme with IFC.

**Duration**

As part of the Global Europe - NDICI (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.

The corresponding Guarantee Agreement with the EIB for Investment Window 4 is operational since its signature on 28 February 2023. The "investment period" during which EIB can sign financing operations under this guarantee, lasts until end-2028[30].

For guarantee agreements under the EFSD+ Open Architecture, once an agreement is signed, eligible counterparts subsequently have typically 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 for example the 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.

The EIB Investment Window 4 aims at supporting the overarching priorities, notably the Global Gateways strategy and Jobs and sustainable and inclusive Growth, the EU Green Deal, the Growth, and underpinned by Team Europe Initiatives as well as flagship project investments.

[30] The deadline may be extended if agreed among the parties.

The Investment Window 4 has a particular focus on delivering Global Gateway related objectives meaning boosting smart, clean and secure links in digital, energy and transport and strengthen health, education and research systems.

This EIB Dedicated ACP Window is part of a single-package approach alongside the ACP Trust Fund and complements EFSD+ open architecture guarantee operations in ACP countries by the EIB and other Finance Institutions. Private Sector development is the priority area for Investment Window 4.

The added value of the EFSD+ Open Architecture is to allow European and international financial institutions to contribute to the objectives of the EFSD+, innovate, 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.

The Guarantee Agreement signed in February 2023 between the EIB and the EC for the implementation of the EFSD+ Investment Window 4 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 Development Financial Institution.

### 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.

The Guarantee Agreement for EFSD+ Investment Window 4 builds on these strategic priorities. In turn, the specific objective of this Investment Window is to support inclusive and sustainable private sector development in a wide range of priority sector as identified by the programming exercise and in particular in LDC or countries in situation of fragility. The mandate covers ACP countries only.

Relevant outputs will be identified by the EIB depending on the investments to be carried-out under this Investment Window.

Investment Window 4 will encourage investments with a high development impact, largely in support of the private sector, measurable development impact, additionality, neutrality, shared interest and co-financing, demonstration effect.

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

On 13 April 2022, the Commission invited International Financial Institutions (IFIs) and European 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 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. Since then, the contracting of guarantees is under way and the ambition is to complete negotiations for all remaining PIPs by end of 2024.

## Operational performance – Open Architecture

***Key Figures***

| | |
|---|---|
| **Total amount of operations signed by counterparts** | **288,614,821** |
| **Total amount of operations disbursed** | **233,183,823** |
| **Leverage** | **1.07** |
| **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** | **7,121,315,231** |
| **Total amount of operations disbursed** | **415,543,475** |
| **Leverage** | **1.53*** |
| **Multiplier effect** | **3.07**** |
| **Amount transferred to final recipients** | **415,543,475** |
| **Number of final recipients** | **N/A** |
| **Investments made by final recipients** | **831,086,950** |
| **Private sector resources mobilised** | **N/A** |

As regards the leverage and multiplier, they take into account that EU guarantee covers 65%* of EIB lending and EIB on average covers 50%** of project costs.

## Operational performance – Investment Window 4

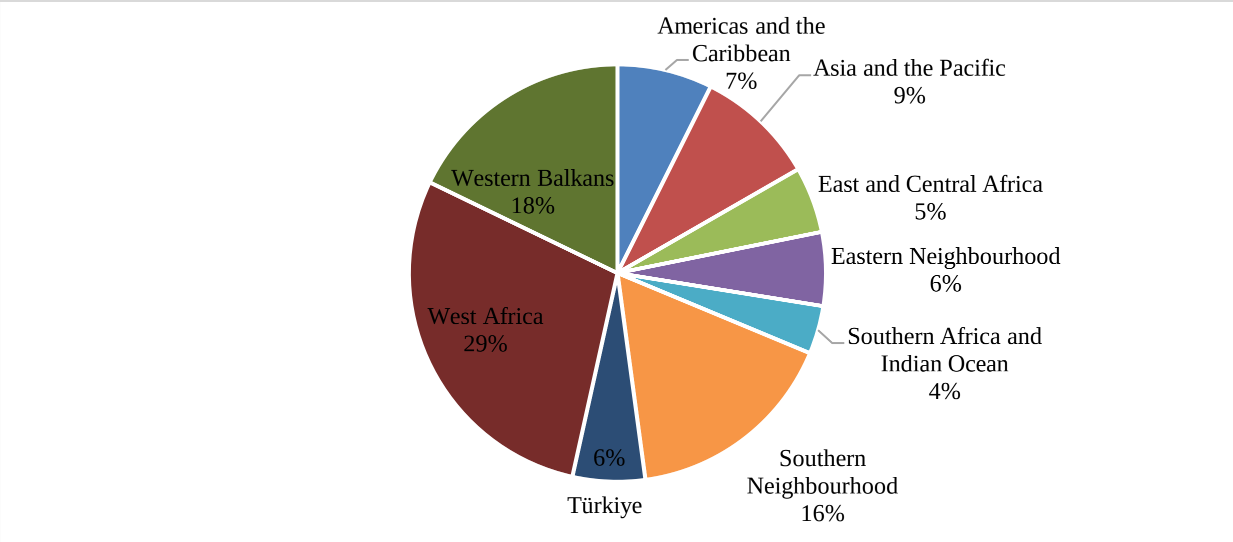
***Key Figures***

| | |
|---|---|
| **Total amount of operations signed by counterparts** | **554,001,748** |
| **Total amount of operations disbursed** | **222,524,618** |
| **Leverage** | **0.74** |
| **Multiplier effect** | **N/A** |
| **Amount transferred to final recipients** | **222,524,618** |
| **Number of final recipients** | **N/A** |
| **Investments made by final recipients** | **N/A** |
| **Private sector resources mobilised** | **N/A** |

## Geographical diversification

As of 31 December 2023, out of the total operations signed accounting for EUR 7.1 billion, the Americas and the Caribbean received EUR 526 million (7%), in Asia and the Pacific EUR 663 million (9%), in East and Central Africa EUR 365.5 (5%), in Eastern Neighbourhood EUR 406.2 million (6%), in Southern Africa and Indian Ocean EUR 266.3 (4%), in Southern Neighbourhood EUR 1,180.7 million (16%), in Türkiye EUR 400 million (6%), in West Africa EUR 2,043.2 million (29%), and in the Western Balkans EUR 1,270 million (18%).

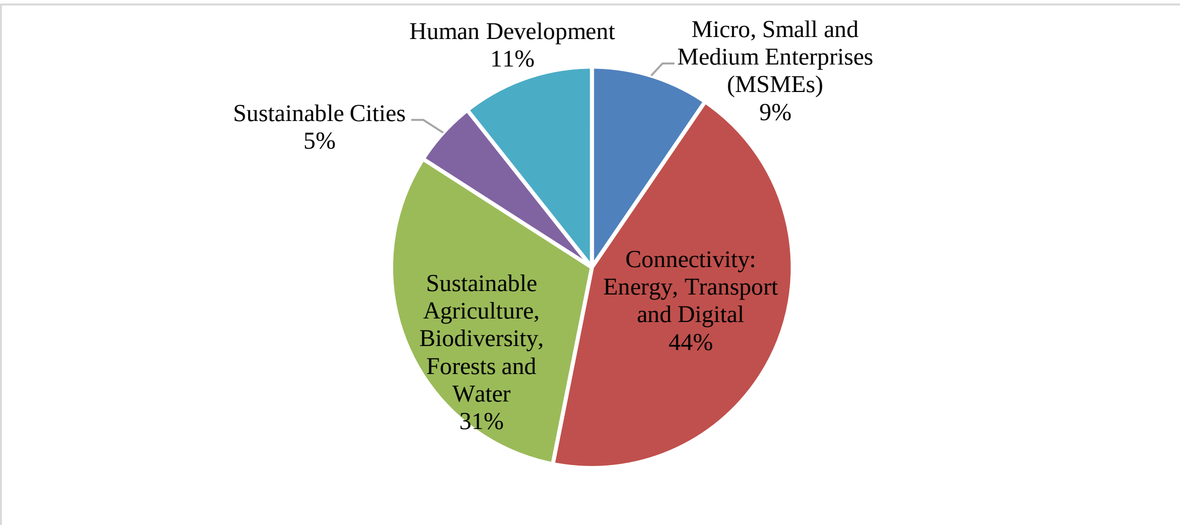
**EFSD+ Window 1 geographical diversification**




## Sectoral diversification

As of 31 December 2023, out of the total operations signed by the EIB, the Connectivity: Energy, Transport and Digital sector accounted for EUR 3.104 million (44%), the Sustainable Agriculture, Biodiversity, Forests and Water sector received EUR 2,205 million (31%), the Human Development domain EUR 759 million (11%), the Micro, Small and Medium Enterprises (MSMEs) EUR 679 million (9%), and Sustainable Cities EUR 374 million (5%).

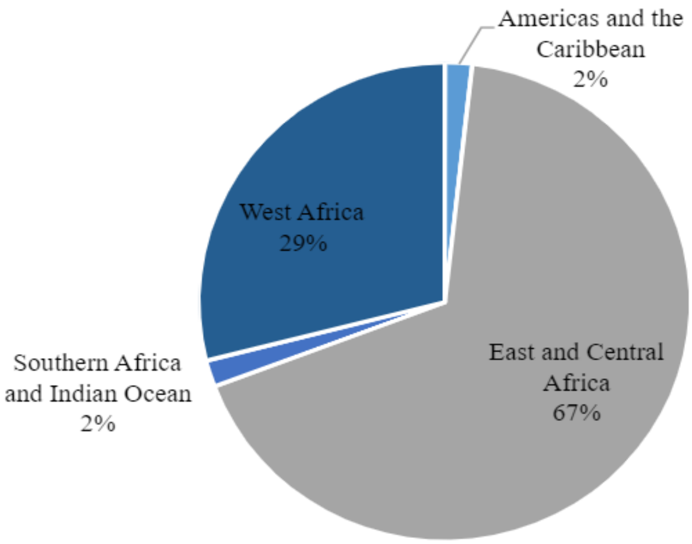
**EFSD+ Window 1 sectoral diversification**



### Geographical diversification

As of 31 December 2023, out of the total operations signed EUR 554 million under EFSD+ Window 4, EUR 10 million (2%) went to Americas and the Caribbean, EUR 375 million (67%) to East and Central Africa, EUR 10 million to Southern Africa and Indian Ocean and EUR 161 million to West Africa.

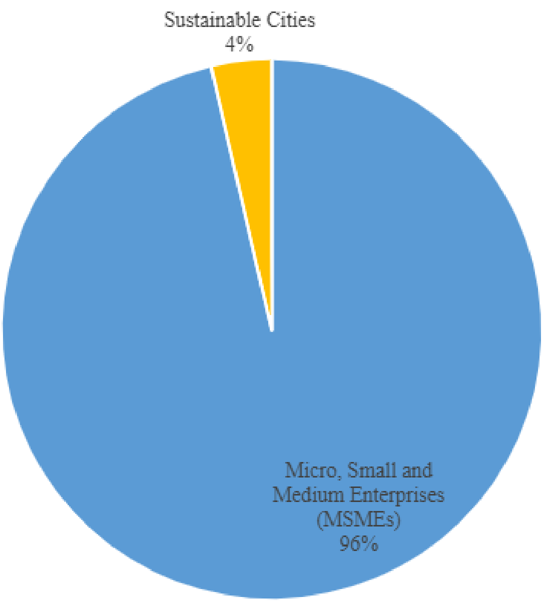
**EFSD+ Window 4 geographical diversification**




### Sectoral diversification

As of 31 December 2023, out of the total operations signed EUR 554 million, 96% went to MSMEs and 4% to Sustainable Cities.

**EFSD+ Window 4 sectoral diversification**



### 1.5.3 FINANCIAL INFORMATION

**Financial information at the level of budgetary guarantee**

As of 31 December 2023, twelve EFSD+ guarantee agreements under the Open Architecture, the EIB Investment Windows 1 and Window 4 were signed and effective with the total guarantee cover limit amounting at EUR 28.1 billion (EUR 26.036 billion under Window 1, EUR 0.74 billion under Window 4 and EUR 1.33 under the Open Architecture Window). The operations signed by the counterparts under those agreements totalled EUR 8 billion, with the EU risk for those operations capped at EUR 7.6 billion. The EU risk related to the amounts disbursed by the counterparts amounted to EUR 628 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 | |
|---|---|---|
| | **31-12-2023** | **31-12-2022** |
| **Available guarantee signed with counterparts** | 28,114,941,478 | 27,020,000,000 |
| **EU risk for operations signed by counterparts** | 7,659,555,809 | 4,515,130,118 |
| **EU risk for operations signed by counterparts and disbursed** | 628,845,485 | 156,202,257 |

all figures in EUR

| | EU guarantee revenues | |
|---|---|---|
| | **2023** | **Cumulative until 31-12-2023** |
| **EU guarantee revenues** | 20,160 | 520,160 |

all figures in EUR

| | Guarantee calls and recoveries | |
|---|---|---|
| | **2023** | **Cumulative until 31-12-2023** |
| **Guarantee calls** | 39,120 | 39,120 |
| **Recoveries** | 0 | 0 |
| ***Net guarantee calls*** | 0 | 0 |

all figures in EUR

| | Expenses | |
|---|---|---|
| | **2023** | **Cumulative until 31-12-2023** |
| **Fees to counterparts** | 0 | 0 |
| **Other expenses (recovery costs, funding costs, other)** | 0 | 0 |

## Financial information at the level of the guarantee agreements – Open Architecture

all figures in EUR and as at 31/12/2023

| | COVAX II | CITIRYZ | FISEA+ |
|---|---|---|---|
| **Overview** | | | |
| **Effective** | No | Yes | Yes |
| **Counterpart** | EIB | AFD | AFD |
| **Description** | This guarantee with the European Investment Bank (EIB) followed the support provided by the EFSD to COVAX, supplying access to COVID-19 vaccines in Africa and the EU Neighbourhood. | Encouraging local private and public banks to improve their knowledge and take the risk to lend, on longer maturities more adapted to the needs of local governments' investments in Africa. | It provides 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** | First loss | 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 | 33,713,916 |
| **Cumulative operations disbursed by counterpart** | 200,000,000[31] | 0 | 305,272 |
| **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 | 3,800,905 |
| **EU risk for operations signed by counterpart and disbursed** | 0 | 0 | 305,272 |
| **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 |

[31] Fully repaid at the end 2022.

all figures in EUR and as at 31/12/2023

| | Digital Transformation Platform | Financial Inclusion | MSME Platform |
|---|---|---|---|
| **Overview** | | | |
| **Effective** | Yes | Yes | Yes |
| **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** | 46,100,000 | 33,713,916 | 5,000,000 |
| **Cumulative operations disbursed by counterpart** | 0 | 27,878,551 | 5,000,000 |
| **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** | 2,230,256 | 6,064,915 | 5,000,000 |
| **EU risk for operations signed by counterpart and disbursed** | 0 | 4,872,415 | 5,000,000 |
| **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) cumulative over all mandates** | 0 | 0 | 0 |

all figures in EUR and as at 31/12/2023

| | Africa Connected | Acceleration Human Development (HDX) | African Local Currency Bond Guarantee Programme (ALCBF) |
|---|---|---|---|
| **Overview** | | | |
| **Effective** | Yes | Yes | Yes |
| **Counterpart** | Finnfund | EIB | KFW |
| **Description** | Digital infrastructure investments in Sub-Saharan Africa | Strengthening health care systems; improved and equitable access to key health products and technologies and increase the quality of primary healthcare services and manufacturing scale-up. | The purpose of the fund is to provide an investment opportunity into local currency risk without the associated credit risk. |
| **Maximum guarantee signed with counterpart** | 100,000,000 | 750,000,000 | 100,000,000 |
| **Operation type** | Equity & debt investments, pass on guarantees | Debt investments including venture loans with equity style elements and volume/procurement guarantees | Guarantee to local currency loans and equity to the fund. |
| **Risk-sharing structure** | Pari passu (60% EFSD+ cover on average) | Pari-passu and First loss | Second 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** | 100,000,000 | 750,000,000 | 100,000,000 |
| **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) cumulative over all mandates** | 0 | 0 | 0 |

all figures in EUR and as at 31/12/2023

| | Better Future Programme |
|---|---|
| **Overview** | |
| **Effective** | Yes |
| **Counterpart** | IFC |
| **Description** | Mobilising private investments in different sectors, with a particular focus on Ukraine |
| **Maximum guarantee signed with counterpart** | 90,000,000 |
| **Operation type** | IFIs guarantees and loans |
| **Risk-sharing structure** | First Loss |
| **Cumulative operations signed by counterpart** | 0 |
| **Cumulative operations disbursed by counterpart** | 0 |
| **EU contingent and financial liability** | |
| **Available guarantee signed with counterpart** | 90,000,000 |
| **EU risk for operations signed by counterpart** | 0 |
| **EU risk for operations signed by counterpart and disbursed** | 0 |
| **Cumulative guarantee calls and recoveries** | |
| **Cumulative guarantee calls** | 0 |
| **Cumulative recoveries** | 0 |
| ***Cumulative net guarantee calls*** | 0 |
| **Cumulative expenses** | |
| **Fees to counterpart** | 0 |
| **Other expenses (recovery costs, funding costs, other) cumulative over all mandates** | 0 |

## Financial information at the level of the guarantee agreements - IW 1 & 4

all figures in EUR and as at 31/12/2023

| | EFSD + Investment Window 1 | EFSD + Investment Window 4 |
|---|---|---|
| **Overview** | | |
| **Effective** | Yes | 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. | The reflows from the ACP Investment Facility from operations under the 9th, 10th, and 11th European Development Funds will provision EU guarantees to private sector lending in ACP countries. Promoting inclusive and sustainable private sector driven economic growth and development. |
| **Maximum guarantee signed with counterpart** | 26,036,000,000 | 743,941,478<br>(The EU 1bn is not available as EUR 256,058,522 is not effective at year end) |
| **Operation type** | Debt (sovereign and non-commercial sub-sovereign loans). | Expected to include corporate lending mostly, then intermediate lending, project finance, direct lending to MidCaps, large enterprises, project finance and other special purpose vehicles. |
| **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. | 1 billion of first loss guarantee provided: 500 million are provisioned 100% (ACP reflows) and 250 million provisioned 50% (EFSD+ funds). |
| **Cumulative operations signed by counterpart** | 7,121,315,231 | 554,001,748 |
| **Cumulative operations disbursed by counterpart** | 415,543,475 | 222,524,618 |
| **EU contingent and financial liability** | | |
| **Available guarantee signed with counterpart** | 26,035,960,880 | 743,941,478 |
| **EU risk for operations signed by counterpart** | 7,116,158,072 | 526,301,661 |
| **EU risk for operations signed by counterpart and disbursed** | 412,575,049 | 211,398,387 |
| **Cumulative guarantee calls and recoveries** | | |
| **Cumulative guarantee calls** | 39,120 | 0 |
| **Cumulative recoveries** | 0 | 0 |
| ***Cumulative net guarantee calls*** | 0 | |
| **Cumulative expenses** | | |
| **Fees to counterpart** | 0 | 0 |
| **Other expenses (recovery costs, funding costs, other) cumulative over all mandates** | 0 | 0 |

# 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 of the FR, which focuses on the asset management aspects of the CPF, is planned to be adopted in June 2024[32] and contained the following information:

- Key events related to the functioning of the CPF in 2023;
- Overview of calls on guarantees and transactions, as well as an update on the applied effective provisioning rate;
- Portfolio's composition, risk profile and performance in 2023, 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 2023.

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 2023 to 31 December 2023.

### 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 as established by different EU legislative instruments.[33] 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 programs.[34] In order to serve as a

[32] At the date of finalising this report the final report from the Commission to the European Parliament and Council on the Common Provisioning Fund in 2023 was not published.

[33] Article 212 of the Financial Regulation.

[34] 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).

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.[35]

On 31 December 2023, the CPF was composed of sixteen compartments.

| | **Market value in EUR million as at 31/12/2023** |
|---|---|
| **Compartments opened in 2021** | |
| EFSI | 9,225 |
| GFEA | 2,777 |
| EFSD | 735 |
| InvestEU | 3,357 |
| **Compartments opened in 2022** | |
| EFSD+ | 2,223 |
| Post-2020 MFA | 105 |
| Exceptional MFA Ukraine | - |
| Post-2020 Euratom loans | - |
| Repurposed ELM loans Ukraine | - |
| InvestEU Guarantee Romania | 81 |
| InvestEU Guarantee Czech Republic | 29 |
| InvestEU Guarantee Finland | 25 |
| InvestEU Guarantee Greece | 31 |
| InvestEU Blending Operations | 161 |
| **Compartments opened in 2023** | |
| InvestEU Guarantee Bulgaria | 41 |
| InvestEU Guarantee Malta | 6 |
| **TOTAL** | **18,797** |

[35] 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.

In 2023, it received EUR 3.5 billion net contributions. As of 31 December 2023 the market value of the outstanding shares was EUR 18.80 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 shows total subscriptions and redemptions for the respective compartments of CPF in 2023.*

| **Compartment as of 31 Dec 2023** | **Contributions less redemptions in EUR million** |
|---|---|
| EFSD | 1 |
| EFSD+ | 1,062 |
| EFSI | 304 |
| GFEA | 278 |
| InvestEU | 1,692 |
| InvestEU – Greece | 30 |
| InvestEU – Czechia | 14 |
| InvestEU – Finland | 7 |
| InvestEU – Blending | 12 |
| InvestEU – Romania | 78 |
| InvestEU – Bulgaria | 40 |
| InvestEU – Malta | 6 |
| **Total CPF** | **3,524** |

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

## 3.1 INITIAL REMARKS

Contingent liabilities are potential EU liabilities that may arise from future events whose occurrence is, at this stage, uncertain. However, if these contingent liabilities were to materialise, their impact on the EU budget might be significant.

In the context of the EU budget, contingent liabilities essentially stem from the three following sources:

**a) Exposures from budgetary guarantees:**

This type of contingent liabilities relates to budgetary guarantee instruments provided under the following programmes: EFSI and InvestEU (internal policy related guarantees); and ELM, EFSD and EFSD+ (external policy related guarantees). Under all budgetary guarantee instruments, the EU covers – partially or in full (also depending on the legal provisions of the respective guarantee agreements) – the losses of implementing partners emanating from financing and investment operations (i.e. debt or equity operations).

For this type of contingent liabilities, the Commission sets aside provisions from the budget.

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

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 and the EU remains liable for its borrowed amounts versus end investors also if MFA or Euratom beneficiaries were not to pay (or would not pay in time) their liabilities versus the EU.

For financial assistance to third countries (with the exception of MFA+ and Ukraine Facility loans provided to Ukraine), the EU budget sets aside provisions in the budget.

**c) Exposures from borrowing, the proceeds of which are used to provide financial assistance to Member States (and MFA+/Ukraine Facility loans to Ukraine):**

For this type of contingent liabilities, the Commission does not set aside provisions in the budget, but these contingent liabilities are backed by the Own Resources headroom (for loans to Member States under BoP, EFSM, SURE[36] and MFA+/Ukraine Facility loans to

[36] Balance of Payments (BoP), European Financial Stabilisation Mechanism (EFSM), The European instrument for temporary Support to mitigate Unemployment Risks in an Emergency (SURE)

Ukraine[37,38]) or the specially created NGEU budgetary headroom (for RRF[39] loans). The sustainability of the headroom is analysed and discussed in the Article 250 FR report[40].

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 provisioned financial assistance to <u>third countries</u>**. Concretely, this Article 41(5) report will assess whether the respective provisioning rates and provisioning amounts are adequate to cover estimated losses at the desired confidence level and the report will also determine whether there is a 'surplus' or 'replenishment need' in the meaning of Article 213(4) of the Financial Regulation.

## 3.2 BUDGETARY GUARANTEES METHODOLOGY

### ASSUMPTIONS AND PARTICULARITIES

To assess the adequacy of provisioning, the Commission has a number of tools at its disposal.

For **debt exposures**, mathematical/statistical credit risk models are used, to estimate future losses (net of revenues) resulting from budgetary guarantees. Based on a set of assumptions, the models allow the estimation of the potential losses - expected losses and 'unexpected losses'- associated with defaulting borrowers, thus the Value-at-Risk (VaR) of the portfolio over a certain timeframe. In other words, a credit risk model also provides information on the probability of having a surplus or a deficit (depletion) of the guarantee provisions over the lifetime of the guarantee.

The estimates of future losses generated by a credit risk model remain estimates based on certain assumptions. As with any statistical estimation, it can always be that actual outcomes in the future differ from these estimates.

For **non-debt exposures** (or exposures for which the credit risk models currently available to the Commission cannot be used, notably in the case of equity operations), expert judgment (where possible guided by historical experience in the instruments concerned) provides the estimates of the relevant risk metrics.

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37 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.

38 Please note that this report covers exposures as of end 2023. In other words, the loans to Ukraine provided under the Ukraine Facility in 2024 are not yet covered. However, also these loans will not be provisioned but will be headroom-backed loans just like the Ukrainian MFA+ loans.

39 The Recovery and Resilience Facility (RRF).

40 For the 2023 Article 250 report published on 23 October 2023 (covering exposures as of end 2022), refer to https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:52023DC0683

The Commission is currently finalising the work on a 'unified credit risk model' which will be applied as a common basis for assessing credit risk across all debt portfolios covered by budgetary guarantees.

Also methodologies for non-debt instruments (e.g. for equity instruments) are continuously refined to incorporate experience with these instruments built up over the years.

Finally, it should be recalled that the Financial Regulation and the respective legislative acts establishing the different budgetary guarantees fix the level at which the provisioning adequacy analysis has to be performed[41]. Article 212 (4) and Article 30(1)(g) of the Financial Regulation then describe how different budgetary guarantees can support one another in case there were to be urgent liquidity needs.[42]

*Assessment of the adequate provisioning of the relevant compartment of the CPF* [43]

A first risk measure that is analysed is the "*de facto* provisioning rate" which is compared with the "target provisioning rate" set in the Basic Act of the budgetary guarantee.[44] For the *de facto* provisioning rate, the actual market value of the guarantee fund is divided by the total amount of (outstanding) signed guarantees with counterparties. This ratio is calculated based on year-end 2023 data and to also have an indication of developments in the near future, the respective figure is also projected for the next five years. These projections are used to assess whether and to what extent the "*de facto* provisioning rate" is aligned with the target provisioning rate.

The difference between the *de facto* provisioning rate and the target provisioning rate, multiplied by the total amount of (outstanding) signed guarantees with counterparties in

[41] As for the ELM, please note that Article 1 of the Council Regulation establishing a "Guarantee Fund for external Action" implies that the GFEA compartment of the CPF covers not only exposures guaranteed under the ELM but also legacy (i.e. pre 2021-2027 MFF) MFA and Euratom loans to third countries. For all other budgetary guarantees (e.g. EFSI, InvestEU) the analysis takes place at the level of the guarantee.

[42] Please note that the Commission has decided – taking into account information on the ramp up rhythm of the different budgetary guarantees and financial assistance instruments, the correlations between their expected and unexpected losses (and the calculation methodologies underlying these risk metrics) and the market conditions, to keep the Effective Provisioning Rate – as defined in Article 213 of the Financial Regulation - at 100%. *Pro memoria*, Article 213(2) of the Financial Regulation provides in any event that the Effective Provisioning Rate cannot fall below 95%.

[43] 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. The CPF has at this point the following compartments: EFSI, EFSD, EFSD+, GFEA, InvestEU, "InvestEU - Blending operations", and an MFA-EAG compartment. For the sake of completeness, next to that the CPF also contains the following InvestEU Member States compartments: InvestEU - Czech Republic, InvestEU – Finland, InvestEU – Greece, InvestEU – Romania, InvestEU – Bulgaria and InvestEU – Malta.

[44] This assessment can only be confidently and meaningfully performed once the programme of guaranteed operations and the corresponding provisioning are fully constituted.

principle is the basis for the calculation of the 'provisioning surplus' or the 'replenishment need' (when the *de facto* rate is lower than the target). This is considered jointly with an analysis that checks whether the target provisioning rate is still adequate taking into account the Commission's risk appetite (i.e. the second risk measure as described below). The Commission will calculate whether the available provisions are still adequate when compared to the required provisioning resulting from the VaR calculations at the desired confidence level.

*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 degree of confidence that the current amount of provisioning (i.e. the current market value of the guarantee fund) will be adequate to cover the losses of the programme (net of guarantee revenues and recoveries) over a certain time period taking account of updated assessments of the riskiness of the guaranteed portfolio. This risk metric focusses on whether the target provisioning rate is still adequate to cover the estimated losses at the desired confidence level and timeframe and compares this with the initial pre-defined risk bearing capacity of the programme.[45] The analysis presented below will principally be based on the lifetime estimates.[46]

## 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"), which both implement debt and equity products. For the **IIW debt operations (**signed guarantee with counterparties amounting to EUR 15,094,144,645), the related risk metrics are based on a credit risk model developed with the support of the Technical Assistance Unit from EIB ("TAU").[47]

For the equity operations included in the IIW and for the debt and equity operations of the SMEW (signed guarantee with counterparties amounting to EUR 8,666,615,037), the estimates are based on ECFIN's methodology and expert judgment.

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

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

47 Given that the EFSI debt portfolios have been combined with the InvestEU debt portfolios, the Commission is supported by the Technical Assistance Unit from EIB ("TAU"). 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 support from the TAU. This estimated provisioning rate is related to the combined EFSI IIW debt portfolio (standard debt and debt hybrid) with the equivalent InvestEU debt portfolios.

The EFSI implementation period ended as of 31 December 2022, which means that it is no longer possible for the EIB Group to sign additional operations under this programme.

*Assessment of the adequate provisioning of the EFSI CPF compartment*

Article 12(5) of the EFSI Regulation[48] has set EFSI's target provisioning rate at 35% of the guarantee signed with counterparties.

As of 31 December 2023, the EFSI CPF compartment[49,50] held cash provisions worth EUR 9,175,381,049. That 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 2023, this figure amounted to EUR 23,760,759,681.96.[51]

When the available EFSI provisions are divided by the total available guarantee amount as defined above, the *de facto* provisioning rate is 38.6%; higher than the target provisioning rate of 35%. In nominal terms, the surplus amounts to EUR 859,115,161[52], which, in line with the provisions of the Public Sector Loan Facility (PSLF) and the InvestEU Regulation, will be allocated to the financing of the PSLF and the provisioning of InvestEU.[53]

*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 adequate, the required provisioning for the underlying products has to be assessed.

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

49 Including the EFSI cash buffer held at the Commission's central treasury to deal with short term expected guarantee calls.

50 Also including unrealised losses of EUR 420,589,502 (accumulated in previous years).

51 Which is lower than the maximum legislative guarantee ceiling of EUR 26.0 billion because meanwhile there have been a number of repayments, cancellations and maturities of equity-type products.

52 Including the EFSI fiduciary account of EUR 63.402.549.

53 Article 5 of the PSLF Regulation provides that the PSLF budget will amount to 250 million EUR from the budget and up to a maximum amount of 1.275 billion EUR from assigned revenues (the later amount shall be provided up to a maximum amount of 275 million EUR from repayments of legacy financial instruments and up to a maximum amount of 1 billion EUR from potential EFSI surpluses).

In a similar manner, Article 35 of the InvestEU Regulation provides that any recoveries, repayments, revenues from legacy financial instruments and overprovisioning under Article 213(4) (i.e. surplus and not the revenues as such) of EFSI may be used for the provisioning of InvestEU.

The results of the risk analysis conducted based on a credit risk model for IIW debt operations[54] and on ECFIN methodology and expert judgment for IIW and SMEW equity and SMEW debt products, indicate a VaR[55] amount of EUR 7,363,840,952 at a 95% lifetime confidence level (p.m. the guarantee is expected to remain in place for more than 20 years). The underlying provisioning dynamics reveal a shift towards less provisioning needs for debt-type products and towards more provisioning needs for equity-type products (mainly because funding cost projections have increased and the overall size of the IIW debt portfolios has decreased resulting in a proportionate higher EU First Loss Piece requiring lower percentage-wise provisioning). The risk assessment implies a required provisioning rate of 31.0%, which remains broadly consistent with the target provisioning rate of 35%. Changes to the EFSI provisioning rate require an amendment of the EFSI Regulation.[56]

### 3.3.2 INVESTEU

As of 31 December 2023, 16 implementing partners had signed guarantee agreements under InvestEU for a total amount of EUR 25.87 billion of EU guarantee[57]. This is still below the maximum guarantee amount which implies that the InvestEU programme is still in the ramp-up phase. As of 31 December 2023, EUR 7.55 billion had been signed.

The EU compartment of the InvestEU guarantee is underpinned by EU budgetary provisions (financed from the EU budget but also partially financed from EURI resources and assigned

[54] The EFSD model (which is also used for ELM and EFSD+) uses a shifted gamma distribution for the systematic factor and a gaussian distribution for the idiosyncratic factor and generates, in a given Monte Carlo simulation, a new asset return value for every year of the lifetime of an exposure. The net losses are not discounted.
For EFSI, and in accordance with Article 11 of the InvestEU Regulation and the Partnership Agreement with the EIB, the estimates have been provided with the support of a model developed by the Technical Assistance Unit, a separate operationally independent team composed of EIB and EIF risk management experts. The EFSI model uses a blend of statistical distributions (2/3 shifted gamma and 1/3 gaussian) and generates in a given Monte Carlo simulation, one asset return value for the entire lifetime of an exposure. The model is also used for InvestEU. The net losses are not discounted.

[55] 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.

[56] It has to be noted that, in contrast to the legislation establishing subsequent budgetary guarantees (other than EFSD) which allow the Commission to adjust the provisioning rate within a certain range by means of a delegated act, changes to the EFSI provisioning rate require an amendment of the EFSI Regulation.

[57] This figure includes the EFTA and the Member State contributions as well as blending from other Union programmes.

revenues from legacy instruments as well as EFTA contributions) of EUR 10.66 billion, with a target provisioning rate of 40% as stipulated in the InvestEU Regulation.[58,59]

Since 2021, the Commission has made provisioning payments to the relevant CPF compartment for a total amount of EUR 3,357,374,936 in cash.[60,61]

Further provisioning is foreseen from different sources so that at the end of the MFF the total provisioning amount of 10,657,082,472 EUR will be committed.

Given that the ramp-up of the programme is still in an early stage, the first operations were signed in 2022, it is premature to draw any conclusions about provisioning adequacy.

### 3.3.3 EFSD

*Assumptions and particularities*

The EFSD is in the last year of its ramp-up phase which means that it is legally still possible to sign underlying operations.

In spite of still being in the ramp-up phase, the amount of outstanding liabilities of the EFSD guarantee[62] decreased in 2023. The reason is that the inclusion period for some agreements has ended without the full amount of available guarantee cover being committed.

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).

58 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.

59 Article 29(6) of the InvestEU Regulation allows the Commission to adjust that provisioning rate by up to 15% by means of a delegated act.

60 The market value of the relevant CPF compartment at 31/12/2023 was EUR 3,357,374,936 excluding the Member State compartments and the “blending compartment”. The latter amounts to EUR 161,082,630 (with unrealized gains of EUR 6,304,030) and will *de facto* function as a first loss buffer via blended financial instruments.

61 Also including unrealised gains of EUR 73.351.517 and the cash buffer held at the Commission’s central treasury to deal with short term expected guarantee calls.

62 *Pro memoria*: the EFSD Regulation allowed for a maximum guaranteed amount of EUR 1.5 billion.

*Assessment of the adequate provisioning of the EFSD CPF compartment:*

The EFSD Regulation[63] has set the target provisioning rate at 50%[64]. At 31 December 2023, the EFSD CPF compartment held provisions worth EUR 765,011,862[65]. This is to be divided by 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 1,063,100,964 at 31 December 2023.

When the available provisioning is divided by the total available guarantee, the *de facto* provisioning rate is 72.0%[66]. As already explained above, the provisions of the EFSD CPF compartment have been fully constituted which implies that no new provisioning inflows[67] are foreseen until the end of the ramp up period (end-2024). However, it has to be noted that the signature of new underlying operations is expected to increase the outstanding guarantee amount in 2024.

*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 in the last year of its ramp-up phase, therefore it is appropriate to look at the legally possible maximum set of operations covered under the individual guarantee agreements rather than only to the operations that have already been signed by the counterparts as at 31 December 2023.

The results of the risk analysis performed on an internal credit risk model[68] indicate a lifetime VaR[69] amount of EUR 700,720,589 at the desired 90% confidence level (p.m. the guarantee is

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

65 Also including unrealised losses of EUR 38.680.799 and the cash buffer held at the Commission's central treasury to deal with short term expected guarantee calls. Contributions from third parties are paid-in at 100%.

66 As mentioned in the body of the text there will be almost certainly a call for Covax of EUR 130 million which will decrease the available amount of provisions from the CPF and at the same time the outstanding amount of liabilities. On balance this will then slightly reduce the *de facto* provisioning rate.

67 A limited amount of recoveries or fee revenue could be expected.

68 As noted above, the EFSD model (which is also used for ELM and EFSD+) uses a shifted gamma distribution for the systematic factor and a gaussian distribution for the idiosyncratic factor and generates, in a given Monte Carlo simulation, a new asset return value for every year of the lifetime of an exposure. The net losses are not discounted.

69 The 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.

expected to remain in place for more than 20 years).[70] This amount is slightly lower than the market value of the EFSD CPF compartment as of end 2023 (EUR 765,011,862)[71].

### 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).

*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[72] for loans to sovereigns and non-commercial sub-sovereign counterparts. 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.

At 31 December 2023, EFSD+ IW1 had already 85 signed operations for a total value of EUR 7,121 million of which EUR 416 million had been disbursed.

B. EFSD+ Open Architecture

In the EFSD+ Open Architecture, the policy orientations set out six investment areas for which Partner Financial Institutions submitted their ‘proposed investment programmes’ during a first call for proposals in 2022.

At 31 December 2023, EFSD+ had already signed 9 active Open Architecture agreements with 7 implementing partners for a total amount of EUR 1,335 million of guarantee cover[73]. Out of these, there were 4 guarantee agreements for which the Implementing Partner had already signed operations with final beneficiaries for an amount of EUR 19 million. In total about EUR 10 million had been disbursed.

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[70] If the same exercise is done over a time horizon of 5 years, a Value-At-Risk level of 603,854,290 EUR is obtained.

[71] The VaR set out against the current amount of outstanding guarantees (EUR 1,063,100,964) is 65.9%.

[72] As opposed to political risk cover, which only covers defaults linked to trigger events of a political nature.

[73] The EIB-COVAX II agreement for an amount of EUR 200 million has already been terminated.

The EFSD+ Investment Window 4 is *de facto* considered as part of the Open Architecture window. This up to EUR 1 billion window provides a first loss protection and focuses on private sector operations in Africa, Caribbean and Pacific. It is implemented solely by the EIB.

At 31 December 2023, EFSD+ IW4 had already 13 signed operations for a total value of EUR 554 million of which EUR 223 million had been disbursed.

*Assumptions and particularities*

The risk estimates for EFSD and EFSD+ are derived from an internal credit risk model. At this stage, the EFSD+ Window 1 and the Open Architecture Window are modelled separately.

*Assessment of the adequate provisioning of the EFSD+ CPF compartment*

As far as the Common Provisioning Fund is concerned, pursuant to Article 31 of the NDICI Regulation[74], 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, covering EFSD+ and MFA / Euratom operations for the current MFF. The value of the EFSD+ CPF compartment by the end of 2023 amounted to EUR 2,222,071,316[75,76].

The build-up of the provisioning in the CPF is planned over the 2021-27 period in terms of commitments and will run into the next MFF in terms of payments, taking into account the gradual build-up of the portfolio of operations covered by EFSD+ guarantees.

However, based on expected call forecasts, no short-term liquidity issues are foreseen as arising with the available provisioning of the EFSD+ compartment.

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

Given that the ramp-up of the programme is still in an early stage, the first operations were signed in 2022, it is premature to draw firm conclusions about provisioning adequacy.

[74] 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).

[75] Including the cash buffer held at the Commission's central treasury to deal with short term expected guarantee calls.

[76] Also including unrealised gains of EUR 72.344.134.

The analysis performed by an internal risk model give the following results:

- for the EIB Investment Window 1, a lifetime VaR[77] amount of EUR 2,062 million at the desired 90% confidence level[78], hence lower than the related provisioning amount (EUR 2,405 million[79]);
- for the Open Architecture and the EIB Investment Window 4, a lifetime VaR amount of EUR 1,374 million at the desired 90% confidence level[80], hence lower than the related provisioning amount (EUR 1,417.5 million[81]).

In any event, Commission services will continue to carefully monitor the build-up of risk in the EFSD+ portfolio in order to ensure consistency with the *ex-ante* risk appetite.

### 3.3.4 ELM

*Assumptions and particularities*

The ELM portfolio consists of several historical mandates (two mandates under the 2014-2020 MFF[82], 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 sovereign counterparties. There is also a limited number of private entity exposures (i.e. the ERI[83] Private Mandate and a number of political risk guarantees to commercial exposures). Some operations indeed only benefit from 'political risk cover' (approximately 5.7% of the outstanding disbursed portfolio as of end-2023) whereas the vast majority benefits from a 'comprehensive risk cover'.

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77 The 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.

78 If the same exercise is done over a time horizon of 5 years, a VaR level of 836 million EUR is obtained.

79 The EIB Investment Window 1 will also cover one EUR 100 million operation in Ukraine, provisioned at the rate of 70%. The rest of the portfolio is provisioned at 9%.

80 If the same exercise is done over a time horizon of 5 years, a VaR level of 1,358 million EUR is obtained.

81 I.e. 50% of signed guarantee capacity under the EFSD+ Open Architecture window as at 31.12.2023 + EUR 750 million for EIB Investment Window 4 (i.e. 50% provisioning of EFSD+ guarantee cover and 100% provisioning of guarantee cover due to ACP reflows coming in as external assigned revenues) (ACP referring to African Caribbean and Pacific States)).

82 Established by Decision No 466/2014/EU of the European Parliament and of the Council, amended by Decision (EU) 2018/412 L_2018076EN.01003001.xml (europa.eu)

83 Economic Resilience Initiative Private Mandate of EUR 2.3bn, supported under the ELM 2014-20 further on the basis of Decision (EU) 2018/412, amending the original Decision No 466/2014/EU.

For 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 pre-2021 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, pre-2021 MFA and pre-2021 non-EU Euratom loans.

### *Assessment of the adequate provisioning of the GFEA*

At 31 December 2023, the GFEA CPF compartment[84] stood at EUR 2,962,031,803[85]. This results in a *de facto* provisioning rate of 8.3%.[86] However, it should be noted that additional provisioning is planned in the 2024 EU budget to reach the target provisioning rate of 9% as defined in Article 3 of the GFEA Regulation.[87] Moreover, it is projected that the outstanding disbursed portfolio has entered its shrinking phase (i.e. annual reimbursements of GFEA-backed loans will now exceed new disbursements), which will decrease the provisioning needs in the future.

When the assets to be held in the GFEA CPF compartment are projected over the next 5 years further provisioning replenishment until 2027 cannot be fully excluded, but the baseline expectation is that no further replenishments will be necessary as from 2025.

It should be noted that, in contrast to e.g. EFSI or EFSD, no *ex-ante* risk appetite (in the form of a confidence level) is established for the programmes supported by the GFEA provisions. This makes it impossible to assess the adequacy of the *de facto* and target provisioning rates for GFEA backed programmes in the same way as for EFSD/EFSI.

### *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).

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

[85] Also including unrealised losses of EUR 118.243.126,07.

[86] Excluding exposures towards countries that have meanwhile become Member States in accordance with Art. 4 of the GFEA Regulation. The exposure amounts to about EUR 321 million.

[87] 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

At 31 December 2023, the ELM *pro-rata* part of the GFEA compartment[88] amounted to EUR 2,278,835,262. This figure is to be divided by 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 guarantee released') of EUR 27,716,645,915 at 31 December 2023. This calculation then results in the *de facto* provisioning rate of 8.3%.

*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 experienced some deterioration in its main credit risk metrics due in part to the fact that the ELM has legacy Ukrainian exposures of EUR 2.3 billion.

The results of the risk analysis performed on an internal risk model [89] indicate a VaR amount of EUR 3,220,720,378 at the 90% confidence level over the full lifetime of the guarantee. This exceeds the corresponding *pro-rata* provisioning in the CPF compartment (cf. supra: EUR 2.278.835.262). 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 also be recalled that the ELM consists of amortising loans with long repayment periods, where losses tend to crystallise in a non-abrupt manner.

### 3.3.5 ELM REPURPOSED LOANS TO UKRAINE

The repurposed ELM loans to Ukraine for a maximum amount of EUR 1.59 billion ('Second EIB Relief Package for Ukraine', announced in July 2022) will be provisioned at 70% as set by Decision (EU) 2022/1628. In line with Article 12 and Article 14 of the said Decision, the provisioning will be paid from the EU budget into a dedicated CPF compartment (over the period 2025 to 2027).

At the end of 2023, the EIB had disbursed EUR 1.3 billion of the maximum amount of repurposed loans[90].

The provisioning rate of 70% applied to both repurposed ELM loans and exceptional MFA loans has been analysed based on both a qualitative and quantitative assessment of the risks as they stood at end-2023.

88 Including the cash buffer held at the central treasury and excluding provisioning replenishments planned to be sourced from the 2023 EU budget but only committed and paid into the GFEA compartment during 2024.

89 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.'

90 In the course of 2022, the Commisison provided also EUR 6 billion in exceptional MFA loans to Ukraine (so called MFA 1 and 2 packages).

Elements which were taken on board in the qualitative assessment include the IMF's third review, the adoption and entry of operations of the EU's Ukrainian Facility and the US support package of May 2024. In March 2024, the IMF completed the third review of the Extended Arrangement under the Extended Fund Facility. Overall, the Commission concurs with the results of the IMF's appraisal with regard to the financial and macro-economic situation of Ukraine. Notably, the IMF commended the Ukrainian authorities for a strong performance under the programme and underlined the resilience and adaptability of the economy, with better-than-expected real GDP in 2023, continued disinflation, and recovering levels of international reserves. At the same time, the IMF highlighted headwinds ahead, with the economic recovery continuing at a slower pace, while maintaining the growth projection of 3-4% in an environment of heightened uncertainty about the ongoing war and repercussions of its future trajectory. The outlook remains subject to exceptionally high downside risks arising from war-related factors, potential shortfalls in external financing and the socio-economic impact of policies that may be required if shocks materialize.

Ukraine remains highly reliant on external donor financing (mainly from the EU, the US and other G7 partners) as a source of budget funding in order to close fiscal gaps not covered by tax revenues and financing from the domestic market, while additional efforts are ongoing to further strengthen these two sources of funding.

The decision to open EU accession negotiations and the approval of the Ukraine Facility in February 2024 with support for the period 2024-2027 deliver both significant financial assistance to Ukraine in the short-term and positive longer-term perspectives for Ukraine. Financial support in the form of grants and loans for Ukraine under the Pillar I of the Ukraine facility will amount to EUR 38.3 billion.

The recent approval by US Congress of the long-awaited support package, including USD 7.8 billion of budgetary aid, is of critical importance for meeting immediate financing needs.

Notwithstanding the importance of putting in place a fully-fledged IMF programme, with three successful (and unusually swift and smooth) reviews concluded to date; the continued sizeable support from international partners, not least the EU; and the anchoring of further reform efforts in becoming a candidate country for EU membership, the heightened uncertainty from the [deteriorating] security situation within Ukraine calls for caution in reassessing the provisioning rate. Maintaining a provisioning rate of 70% can therefore be deemed adequate at present to protect the EU budget from potential losses arising from ELM repurposed loans (and the exceptional MFA loans). The Commission is monitoring Ukraine's economic and financial situation, including the impact from the security situation, which will inform its assessment of the adequacy of the provisioning rate looking ahead.

**Overview of EU exposures to Ukraine at end 2023:**

Since the outbreak of the unprovoked and unjustified war of aggression started by Russia against Ukraine, the EU has provided substantial amounts of financial support. When grouped under 'direct' and 'indirect' exposures, the exposures at the end of 2023 were as follows:

- the **direct** exposures to Ukraine amounted to EUR 29.6 billion, of which EUR 4.7 billion (legacy MFA and Euratom loans) backed by the GFEA compartment, EUR 1.2 billion (Emergency MFA) backed by the Post-2020 MFA compartment, EUR 6 billion

(Exceptional MFA I and II) backed by the exceptional MFA compartment, and EUR 18 billion (MFA+ loans) backed by the EU budget ‘headroom’.

- the **indirect** exposures under the ELM amounted to EUR 3.6 bn (of which repurposed loans for a total amount of 1.3 billion provisioned at a rate of 70% and legacy loans for a total amount of EUR 2.3 billion provisioned at a rate of 9%).

An additional EU exposure of around EUR 120 million was outstanding with regard to operations carried out under the EFSD guarantee. Moreover, in the course of 2023, the EU has increased its future exposure to Ukraine by enabling up to EUR 100 million of new EIB loans to Ukraine, provisioned at 70% under the EFSD+ Investment Window 1 guarantee. Furthermore, a new EUR 90 million EFSD+ guarantee agreement aiming to mobilise private sector investments in Ukraine was signed with the IFC.

As already indicated before, post war Ukrainian exposures received 70% protection or are alternatively covered by the Own Resources headroom.

For the sake of completeness, in April 2024 Ukraine repaid EUR 600 million in MFA loans (provisions for which were housed in the GFEA compartment of the CPF) in line with the foreseen maturities.

## 3.4 Financial assistance methodology

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 (MFA and Euratom to third countries)

The Macro-Financial Assistance (“MFA”) programmes, which are provisioned in the budget, represent the bulk of the financial assistance programmes amounting to EUR 15.2 billion[91] and the Euratom loans to non-Member States (EUR 300 million at the end of 2023) represent the remainder of the financial assistance programmes.

The breakdown of MFA and Euratom loans that are housed in different compartments of the Common Provisioning Fund are:

- the legacy exposures (EUR 7.9 billion of MFAs and EUR 300 million of Euratom loans) are part of the GFEA compartment;
- the new MFA loans (EUR 1.4 billion), including the emergency MFA loan to Ukraine, committed in 2022 and 2023 are in the Post-2020 MFA compartment;

[91] As opposed to Ukrainian MFA loans which are covered under the headroom (the EUR 18 billion MFA+ programme and the future loans under the Ukraine Facility).

- 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.

Historically speaking, it must be recalled that there has never been any payment default with regard to the MFA exposures.

The analysis of the Authorising Officer confirmed that there are currently no elements to put into question the overall 9% target provisioning rate [92] (which is also set in the NDICI Global Europe Regulation)[93], based on several arguments including in particular:

- The economic standing of the MFA Beneficiaries (taking into account factors such as the GDP/capita, relative maturity of the economy, proximity to the EU economy, etc.);

- The MFA programmes' direct link to and contingency on an existing disbursing IMF programme, 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;

- DG ECFIN – in its capacity of Authorizing Officer of MFA loans - analysed in detail the economic situation of the MFA beneficiaries and the recent macroeconomic developments in partner countries. Furthermore, DG ECFIN performed a forward-looking debt sustainability analysis. 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 2023 most countries reported a solid post-COVID recovery but Russia's war of aggression against Ukraine has sizeably increased economic uncertainty, aggravated the energy crisis and contributed to high food and energy inflation in the region. With regard to the beneficiaries located in Middle East, the war in Israel/Gaza following the Hamas terrorist attack in October 2023 has led to an increased general level of uncertainty and political challenges, whereas the economic impact (through trade, tourism and consumption) on the region overall is, so far, limited.

In terms of liquidity risk, it should also be borne in mind that according to the current structure of MFA loans, maturities and repayments from beneficiaries are reasonably well-spread over the current MFF and the subsequent ones thereby reducing substantially potential liquidity risks in case of delay or default event.

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[92] Article 31(5) of the NDICI Global Europe Regulation also refers to a 9% provisioning rate for Macro-Financial Assistance.

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

# 4. 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 |
| BDB | Bulgarian Development Bank |
| BGK | Bank Gospodarstwa Krajowego |
| BoP | Balance of Payment |
| CCS | Cultural and Creative Sector |
| CDC | Caisse des Dépôts |
| 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 |
| EDFI | European Development Finance Institutions |
| 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 |
| ICO | Instituto de Crédito Oficial |
| IFC | International Finance Corporation |
| IIW | Infrastructure and Innovation Window |
| InclusiFI | The EU Programme for Financial Inclusion |
| InnovFin | EU Finance for innovators |
| IMF | International Monetary Fund |
| 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 |
| NIB | Nordic Investment Bank |
| NIP | Neighbourhood Investment Platform |
| NPB | National Promotional Bank |

| | |
|---|---|
| NRB | Národní rozvojová banka |
| 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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