

**to the Commission Implementing Decision on the financing of the multi-country multiannual action plan in support of the Western Balkans Investment Framework 2021–2027 and the provisioning of the ELM legacy portfolio for past EIB operations for IPA beneficiaries**

**Action Document for “EU contribution to the provisioning of the External Lending Mandate (ELM) legacy portfolio for past EIB operations in Turkey 2021”**

## 1. SYNOPSIS

### 1.1. Action Summary Table

| <b>ACTION IDENTIFICATION</b>                 |                                                                                                                                                                                                                                                                                                                                                    |
|----------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Title</b>                                 | <b>EU contribution to the provisioning of the External Lending Mandate (ELM) legacy portfolio for past EIB operations in Turkey 2021</b><br>Multi-country multi-annual action plan in support of the Western Balkans Investment Framework 2021–2027 and the provisioning of the ELM legacy portfolio for past EIB operations for IPA beneficiaries |
| <b>CRIS / OPSYS number</b>                   | IPA III/2021/043-671/03                                                                                                                                                                                                                                                                                                                            |
| <b>Basic Act</b>                             | Financed under the Instrument for Pre-Accession Assistance (IPA III)                                                                                                                                                                                                                                                                               |
| <b>Team Europe Initiative</b>                | No                                                                                                                                                                                                                                                                                                                                                 |
| <b>Zone benefiting from the action</b>       | Turkey                                                                                                                                                                                                                                                                                                                                             |
| <b>Programming document</b>                  | IPA III Programming Framework                                                                                                                                                                                                                                                                                                                      |
| <b>PRIORITY AREAS AND SECTOR INFORMATION</b> |                                                                                                                                                                                                                                                                                                                                                    |
| <b>Window and thematic priority</b>          | <b>3- Green agenda and sustainable connectivity</b><br>Thematic Priority 1: Environment and climate change<br>Thematic Priority 2: Transport, digital economy and society, and energy<br><b>4- Competitiveness and inclusive growth</b><br>Thematic Priority 2: Private sector development, trade, research and innovation                         |
| <b>Sustainable Development Goals (SDGs)</b>  | Main SDG Goal 9: Industry, Innovation, and Infrastructure<br><br>Other Significant SDGs<br>Goal 6: Clean Water and Sanitation<br>Goal 7: Affordable and Clean Energy<br>Goal 8: Decent Work and Economic Growth<br>Goal 10: Reduced Inequalities<br>Goal 11: Sustainable Cities and Communities<br>Goal 12: Responsible consumption and production |

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|--------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|--------------------|------------------|
|                                            | Goal 13: Climate Action<br>Goal 17 Partnership for goals                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |            |                    |                  |
| <b>DAC code(s)</b>                         | <p><b>140 – Water Supply &amp; Sanitation</b><br/> 14010 – Water sector policy and administrative management<br/> 14015 – Water resources conservation (including data collection)<br/> 14020 – Water supply and sanitation - large systems<br/> 14021 – Water supply - large systems<br/> 14022 – Sanitation - large systems<br/> 14030 – Basic drinking water supply and basic sanitation<br/> 14031 – Basic drinking water supply<br/> 14032 – Basic sanitation<br/> 14040 – River basins development<br/> 14050 – Waste management/disposal</p> <p><b>210 – Transport &amp; Storage</b><br/> 21010 – Transport policy and administrative management<br/> 21020 – Road Transport<br/> 21030 – Rail Transport<br/> 21040 – Water Transport</p> <p><b>220 – Communications</b><br/> 22040 – Information and communication technology (ICT)</p> <p><b>230 – Energy</b><br/> 23110 – Energy policy and administrative management<br/> 23183 – Energy conservation and demand-side efficiency</p> <p><b>232 – Energy generation, renewable sources</b><br/> 23210 – Energy generation, renewable sources - multiple technologies</p> <p><b>236 – Energy distribution</b></p> <p><b>240 – Banking &amp; Financial Services</b><br/> 24030 – Formal sector financial intermediaries</p> <p><b>250 – Business &amp; Other Services</b><br/> 25010 – Business Policy and Administration<br/> 25040 – Responsible Business Conduct</p> <p><b>321 – Industry</b><br/> 32130 – Small and medium-sized enterprises (SME) development<br/> 32120 – Industrial development<br/> 32182 – Technological research and development</p> |            |                    |                  |
| <b>Main Delivery Channel</b>               | 42000 – European Investment Bank                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |            |                    |                  |
| <b>Markers <a href="#">11</a> from DAC</b> | <b>General policy objective</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | <b>Not</b> | <b>Significant</b> | <b>Principal</b> |

|                                                                                                 |                                                                                             |                                     |                                     |                          |
|-------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------|-------------------------------------|-------------------------------------|--------------------------|
| form)                                                                                           |                                                                                             | targeted                            | objective                           | objective                |
|                                                                                                 | Participation development/good governance                                                   | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | <input type="checkbox"/> |
|                                                                                                 | Aid to environment                                                                          | <input type="checkbox"/>            | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
|                                                                                                 | Gender equality and Women’s and Girl’s Empowerment                                          | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | <input type="checkbox"/> |
|                                                                                                 | Trade development                                                                           | <input type="checkbox"/>            | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
|                                                                                                 | Reproductive, maternal, new-born and child health                                           | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | <input type="checkbox"/> |
|                                                                                                 | Disaster Risk Reduction                                                                     | <input type="checkbox"/>            | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
|                                                                                                 | Inclusion of persons with disabilities                                                      | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | <input type="checkbox"/> |
|                                                                                                 | Nutrition                                                                                   | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | <input type="checkbox"/> |
|                                                                                                 | RIO Convention markers                                                                      | Not targeted                        | Significant objective               | Principal objective      |
|                                                                                                 | Biological diversity                                                                        | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | <input type="checkbox"/> |
|                                                                                                 | Combat desertification                                                                      | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | <input type="checkbox"/> |
|                                                                                                 | Climate change mitigation                                                                   | <input type="checkbox"/>            | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
|                                                                                                 | Climate change adaptation                                                                   | <input type="checkbox"/>            | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| Internal markers                                                                                | Policy objectives                                                                           | Not targeted                        | Significant objective               | Principal objective      |
|                                                                                                 | Digitalisation                                                                              | <input type="checkbox"/>            | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
|                                                                                                 | Migration                                                                                   | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | <input type="checkbox"/> |
|                                                                                                 | COVID-19                                                                                    | <input type="checkbox"/>            | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
|                                                                                                 | Social inclusion and human development                                                      | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | <input type="checkbox"/> |
| BUDGET INFORMATION                                                                              |                                                                                             |                                     |                                     |                          |
| Amounts concerned                                                                               | Budget line: 15 02 02 03.04 from the general budget of the European Union for 2021          |                                     |                                     |                          |
|                                                                                                 | Total estimated cost and total amount of the EU budget contribution: EUR 8 945 176          |                                     |                                     |                          |
| MANAGEMENT AND IMPLEMENTATION                                                                   |                                                                                             |                                     |                                     |                          |
| Type of financing and method(s) of implementation                                               | Indirect management:<br>Provisioning for the Turkey part of the ELM legacy portfolio        |                                     |                                     |                          |
| Final date for concluding contribution / delegation agreements, procurement and grant contracts | n/a                                                                                         |                                     |                                     |                          |
| Indicative operational implementation period                                                    | Until the repayment of the EIB financing operations covered by the respective EU guarantees |                                     |                                     |                          |

## 1.2. Summary of the Action

The present action will cater for the provisioning of the **EIB External Lending Mandate (ELM) legacy portfolio** in Turkey whose investment period was extended to end 2021 in order to ensure continuity between ELM and EIB-dedicated guarantee cover under the new EFSD+ instrument. The provisioning will cover for the operations of the EIB in Turkey in a wide range of sectors, inter alia sustainable transport, environment and climate action, energy and private sector development.

## 2. RATIONALE

### 2.1. Context Analysis

The EU dedicates some of its budgetary guarantees to the European Investment Bank (EIB) in order to pursue EU external policy objectives by enhancing the risk-bearing capacity of the EIB, enabling the EIB to undertake operations outside the EU that it could not otherwise undertake with its existing level of capital and reserves and given its need to maintain its AAA credit rating. The EU guarantee covers the exposure of the EIB, but not that of other co-investors. This type of EU budgetary guarantee has been in place for over four decades and has been known as the EIB's External Lending Mandate (ELM). The present action will support the implementation of the ELM legacy portfolio for the EIB past operations in Turkey. The investment period of the ELM has been extended to end 2021 to ensure continuity between ELM and the EIB-dedicated window under the new EFSD+ instrument. The provisioning will be used in the implementation of ongoing projects in a wide range of sectors, inter alia sustainable transport, environment and climate action, energy and private sector development.

### 2.2. Problem analysis by areas of support

N/A

### 2.3. Relevance and complementarity with strategies supported by key national stakeholders

N/A

### 2.4. Relevance and complementarity with EU policy and EU and other donors' assistance

This Action will ensure the guarantee coverage of EIB operations in Turkey falling under the outstanding ELM legacy portfolio. In the context of the EFSD+, investments will be continued under the EIB dedicated investment windows (succession of the External Lending Mandate guarantee) through which the EU shall provide guarantees for possible future EIB financing operations in the country.

### 2.5. Lessons learned and links with previous financial assistance

N/A

### 3. DESCRIPTION OF THE ACTION

#### 3.1. Planned results and intervention logic

The implementation of ongoing projects benefiting from EU budgetary guarantees' under the EIB's ELM will continue beyond 2021 with the provisioning envisaged by this Action. The EU guarantee underpinning the ELM covers EIB financing operations until they are fully repaid by the respective borrowers. Thanks to the EU guarantee, the EIB has been able to provide loans with long tenors, suitable notably for the financing of infrastructure projects. The Action will be supporting effective transition between the ELM and the EIB-dedicated window under the new EFSD+.

#### 3.2. Risks and assumptions

In accordance with Article 31.8 of the NDICI – Global Europe Regulation, the provisioning for the “legacy” External Lending Mandate of the EIB previously backed by the Guarantee Fund for External Actions continues to follow the methodology that was set out in Regulation (EU) 480/2009. That methodology requires annual *ex post* replenishments to be made in favour of the provisioning fund in order to keep the provisioning at 9% of outstanding disbursed exposure for the portfolio in question. These replenishments are calculated annually.

#### 3.3. Mainstreaming

The provisioning is related to EIB financing operations guaranteed by the EU in accordance with the respective guarantee agreements and subject to EIB standards applicable at the time.

#### 3.4. Conditions for implementation

N/A

3.5. Logical Framework for PROJECT MODALITY

N/A

## 4. IMPLEMENTATION ARRANGEMENTS

### 4.1. Financing agreement

In order to implement this action, it is not foreseen to conclude financing agreements with the targeted IPA III beneficiaries.

### 4.2. Implementation modalities

The Commission will ensure that the EU appropriate rules and procedures for providing financing to third parties are respected, including review procedures, where appropriate, and compliance of the action with EU restrictive measures<sup>1</sup>.

#### 4.2.1. EFSD+ operations covered by budgetary guarantees

The action will ensure provisioning for the guarantee cover of the EIB's External Lending Mandate (ELM) established by Decision No 466/2014/EU and prolonged until the end of 2021 in line with Article 49 of the NDICI – Global Europe Regulation.

The amount of annual provisioning for 2021 is EUR 8 945 176. The amount has been calculated as the Turkey-related share of the provisioning of the outstanding disbursed ELM portfolio in the Pre-Accession region as at end-2020.

In accordance with Article 31.8 of the NDICI – Global Europe Regulation, the provisioning for the “legacy” External Lending Mandate of the EIB previously backed by the Guarantee Fund for External Actions shall continue to follow the methodology that was set out in Regulation (EU) 480/2009. That methodology requires annual *ex post* replenishments to be made in favour of the provisioning fund in order to keep the provisioning at 9% of outstanding disbursed exposure for the portfolio in question. These replenishments are calculated annually.

### 4.3. Scope of geographical eligibility for procurement and grants

The geographical eligibility in terms of place of establishment for participating in procurement and grant award procedures and in terms of origin of supplies purchased as established in the basic act and set out in the relevant contractual documents shall apply.

The Commission's authorising officer responsible may extend the geographical eligibility on the basis of urgency or of unavailability of services in the markets of the countries or territories concerned, or in other duly substantiated cases where application of the eligibility rules would make the realisation of this action impossible or exceedingly difficult

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<sup>1</sup> [www.sanctionsmap.eu](http://www.sanctionsmap.eu) Please note that the sanctions map is an IT tool for identifying the sanctions regimes. The source of the sanctions stems from legal acts published in the Official Journal (OJ). In case of discrepancy between the published legal acts and the updates on the website it is the OJ version that prevails.

#### 4.4. Indicative budget

|                                                                                                                                          | <b>EU contribution 2021<br/>(EUR)</b> |
|------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------|
| <b>EU contribution to the provisioning of the External Lending Mandate (ELM) legacy portfolio for past EIB operations in Turkey 2021</b> | <b>EUR 8 945 176</b>                  |

## 5. Organisational set-up and responsibilities

The provisioning envisaged in this Action will be transferred to EIB for the purpose of the ELM legacy in order to continue the implementation of projects in Turkey beyond 2020.

The legal basis of the ELM is Decision No 466/2014/EU (the ‘ELM Decision’),<sup>2</sup> amended in 2018<sup>3</sup> and further amended through the NDICI – Global Europe Regulation in 2021.

Cooperation and coordination activities between the EU and the EIB for the ELM are enshrined in a Memorandum of Understanding signed in September 2013.

Once the commitment of funds in favour of the Common Provisioning Fund are approved by this financing decision, if and when the EIB calls on the EU guarantee, the Commission pays within 90 days from amounts that the Commission has set aside in the fund.

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<sup>2</sup> 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 investment projects outside the Union, OJ L 135, 8.5.2014, p. 1.

<sup>3</sup> Amending Decision (EU) 2018/412 of 14 March 2018, OJ L 76, 19.3.2018, p. 30.

## 5. PERFORMANCE/RESULTS MONITORING AND REPORTING

### 5.1. Internal monitoring

As part of its performance measurement framework, the Commission shall monitor and assess progress towards achievement of the objectives on the basis of pre-defined, clear, transparent measurable indicators.

The EIB is responsible to monitor the operational implementation of projects under the ELM legacy according to the ELM legal framework.

### 5.2. Roles & responsibilities for data collection, analysis & reporting

The EIB is responsible on the roles and responsibilities for data collection, analysis and reporting of projects under the ELM legacy according to the ELM legal framework.

### 5.3. Evaluation

No dedicated evaluation is foreseen as the Action concerns the provisioning to the EIB's ELM legacy portfolio in Turkey in 2021.

According to the ELM legal framework, the EIB should regularly conduct ex post or mid-term evaluations of supported activities under the ELM with a view to assessing their relevance, performance and development effects and to identify aspects that could improve future activities. Such evaluations should contribute to accountability and analysis of sustainability.

In addition, the EIB shall on a regular basis provide the European Parliament, the Council and the Commission with all its independent evaluation reports which assess the practical results achieved by the specific activities of the EIB under the ELM and other external mandates.

The Commission provides overall annual reports to the European Parliament and the Council in accordance with Article 11 of the ELM Decision. It will undertake a final evaluation of the ELM during 2022.

## 6. AUDIT

No Audit is foreseen as the Action concerns the provisioning to the EIB's ELM legacy for Turkey in 2021.

According to the ELM legal framework, the EIB shall provide the Commission with statistical, financial and accounting data on each EIB financing operation, as well as any additional information necessary to fulfil the Commission's reporting duties or requests by the Court of Auditors and an auditor's certificate on the outstanding amounts of the EIB financing operations.

## 7. COMMUNICATION AND VISIBILITY

Visibility of EU funding and communication about objectives and impact of Actions are a legal obligation for all Actions funded by the EU, as set out in the EU communication and visibility requirements in force.

In particular, the recipients of EU funding shall acknowledge the origin of the EU funding and ensure its proper visibility by:

- providing a statement highlighting the support received from the EU in a visible manner on all documents and communication material relating to the implementation of the funds, including on an official website and social media accounts, where these exist; and
- promoting the actions and their results by providing coherent, effective and proportionate targeted information to multiple audiences, including the media.

Visibility and communication measures shall be implemented, as relevant, by the public administrations (for

instance, concerning the reforms linked to EU budget support), entrusted entities, contractors and grant beneficiaries. Appropriate contractual obligations shall be included, respectively, in financing agreements, delegation agreements, and procurement and grant contracts.

The measures shall be based on a specific Communication and Visibility Plan, established and implemented in line with the EU communication and visibility requirements in force. The plan shall include, inter alia, a communication narrative and master messages for the Action, customised for the various target audiences (stakeholders, civil society, general public, etc.) Visibility measures taken by implementing partners, entrusted entities, etc. must be applied consistently to all activities and outputs. Implementing partners, entrusted entities, etc. must ensure that visibility measures reach activities' final beneficiaries.

Visibility and communication measures specific to this Action shall be complementary to the broader communication activities implemented directly by the European Commission services and/or the EU Delegations and Offices. The European Commission and the EU Delegations and Offices should be fully informed of the planning and implementation of the specific visibility and communication activities, notably with respect to the communication narrative and master messages. It is the responsibility of the implementing partner(s) to keep the EU Delegations / Office and the European Commission fully informed of the planning and implementation of the specific visibility and communication activities.

The provisioning covered by this Action Document is related to EIB financing operations guaranteed by the EU in accordance with the respective guarantee agreements concluded in the past, and subject to rules applicable at the time.

## 8. SUSTAINABILITY

The key aspect in ensuring the sustainability of the action's results will be a strict focus on the projects imbedded in the EIB's sector strategies and sector work programmes under ELM legacy. The political commitment from the EIB to keep developing and maintaining the completed infrastructures, as well as a strong involvement of the existing structures will be decisive to attain and sustain the action's objective.