EIB financing in Asia

The EIB is the bank of the European Union. Founded in 1958 under the Treaty of Rome, it operates in the 28 EU Member States and more than 160 other countries. In 2016, the EIB Group signed loans totalling EUR 84 billion, with 94% of its financing for projects within the Member States, EFTA and Enlargement countries. Outside the EU, the Bank supports projects that contribute to economic development in countries that have signed association or cooperation agreements with the EU or its Member States. It does so at own risk to its balance sheet, using budgetary guarantees provided by Member States or under mandates from the European Parliament and Council of the European Union. It is the largest supranational borrower and lender in the world and the only international financial institution politically accountable to EU policymakers and institutions. This factsheet is one of a series covering regions of the world where the EIB is active.

EIB in Asia

The European Investment Bank has been authorised to lend in Asia since 1993, when the first mandate for Asia and Latin America (ALA) was approved by the Council of the European Union. On 1 July 2014 the EU’s new External Lending Mandate (ELM), covering the period 2014-2020, entered into force, providing for a ceiling of 936m for operations in Asia. In addition, in some cases the EIB can provide lending from own resources under the Climate Action and Environment Facility or the Strategic Projects Facility, amounting to a combined total of EUR 2 billion. This provides extra possibilities for the Bank to support energy and environmental projects of interest to the EU.

EIB focus

The Bank supports EU external policies in the ALA regions in cooperation with the European Commission and other International Financial Institutions. EIB financing in Asia will give priority to the following areas: 1) local private sector development, in particular support to SMEs; 2) development of social and economic infrastructure, including water and sanitation, and 3) climate change mitigation and adaptation (e.g., renewable energy, energy efficiency, urban transport and other projects that reduce CO2 emissions). In addition, to be eligible for Bank financing, projects are required to have a good potential to contribute to the economic development of the beneficiary country.

Background information

To date, EIB financing in Asia amounts to EUR 7.1 billion, with China accounting for 29% of total financing, India 28%, Vietnam 9%, whereas Pakistan and Philippines account for an equally share of 6%. The 77 lending operations in 13 countries structured to date have enabled the EIB to support a broad range of projects including projects contributing to climate change mitigation, renewable energy and energy efficiency, water and wastewater and support to SMEs.

1 The current ELM Decision n°466/2014/EU grants an EU guarantee to the EIB against losses under EIB financing operations for projects outside the European Union.

The ELM Asia 2014-2020 has been and is expected to remain one of the core facilities under which the Bank carries out its lending activities in Asia, alongside the Bank’s own-risk facility. In line with the ELM objectives and in view of the very limited resources available under the ELM for
Asia, the EIB has deliberately acted in this region as a niche player focused on climate action projects. Moreover, promoters have great interest in collaborating with EIB as they are both interested in the European know-how and experience in climate related issues. Supporting renewable energy, urban public transport and energy efficiency in those countries, in addition supporting EU economic diplomacy, will help showcase EU values and cooperation.

Regarding the period covered by the current ELM Asia 2007-2014, the EIB structured financing for 8 projects amounting to a total EUR 573m. Of the total financing under the current mandate, EUR 45m has been allocated for financing in 2014, whereas EUR 433m, EUR 45m and EUR 50m have been allocated in 2015, 2016 and Q1 2017, respectively. Nearly 62% of the Bank financing under the mandate has been utilised during this period and was dedicated to supporting projects mitigating climate change, mainly in the transport and energy sector and to financing credit lines for SMEs.

The EIB has made climate change mitigation a top priority and developed a strong pipeline of climate action projects in Asia, given that the region generates some 40% of the global emissions, demonstrating that the Bank contributes to the EU global leadership in promoting low-carbon and resilient growth in the region.

EIB value proposal

The EIB is a AAA-rated, policy-driven EU financial institution raising funds in capital markets to on-lend to eligible investments supporting EU policies and priorities. The EIB passes on the financial advantage it obtains through benefits, such as attractive interest rates and long maturities, to projects that score highly in terms of EU objectives and are consistent with the Bank’s commitment to supporting sound, sustainable investments. The EIB’s extensive experience in financing projects, its in-house sector expertise and deep knowledge of European policies facilitate the identification of projects that match both national and EU priorities. The EIB’s project appraisal covers technical, economic, financial, environmental and social aspects as well as credit risks, provides for the appropriate mitigates and conditionality and helps structure projects in line with EU standards. The EIB thus acts as a flag carrier for EU policies outside the EU, contributes to the dissemination of best practices and facilitates the participation of other financiers in EU priority projects.

Projects financed by the EIB in 2016

In 2016, the European Investment Bank provided loans in Asia totalling EUR 245 million for projects in the urban transportation and energy sector.

At the 13th EU-India summit in Brussels on 30th March 2016, the EIB signed its largest ever loan to India - a EUR 450 million loan, in two tranches, to support a new metro line in Lucknow, the capital of Uttar Pradesh, India’s most populous state. At that date, first finance contract has been signed for an amount equivalent to EUR 200 million.

Additionally, the Bank supported the investment program of individual hybrid energy systems in Maldives.

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<thead>
<tr>
<th>Country</th>
<th>Description</th>
<th>Amount (EUR m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>India</td>
<td>Financing the construction of a 23 km metro line in Lucknow, Uttar Pradesh, in northern India</td>
<td>200</td>
</tr>
<tr>
<td>Maldives</td>
<td>Financing individual hybrid mini-grid systems consisting of solar photovoltaic panels, together with efficient diesel engine generators and integrated lithium-ion accumulators in the Maldives' Outer Islands</td>
<td>45</td>
</tr>
</tbody>
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Asia countries eligible for financing: Bangladesh, Bhutan, Brunei, Cambodia, China, India, Indonesia, Iraq, Laos, Malaysia, Maldives, Mongolia, Myanmar/Burma, Nepal, Pakistan, the Philippines, Singapore, South Korea, Sri Lanka, Thailand, Vietnam, Yemen.

For further information on the EIB, visit its website www.eib.org/ala

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