



Eastern Neighbourhood and Central Asia (ENCA)



# A partner for the Eastern Neighbourhood and Central Asia

The EIB is a strategic partner for economic development in the Eastern Neighbourhood and Central Asia (ENCA), underpinning EU policy with financing solutions and technical assistance, which help to stimulate growth in these regions.

EIB investment supports EU partnership and neighbourhood policies across the Eastern Partnership countries, the Russian Federation and Central Asia, providing loans and advisory services for projects that contribute to economic development in these regions. Here the Bank's activities aim to create employment, facilitate trade with the EU, encourage regional development, improve living conditions and support progress towards a greener economy.

## EIB support in figures:

- ▶ **EUR 4.2bn** in EIB loans to ENCA from 2005 to date, with support having grown from EUR 230m in 2007 to EUR 1.1bn between January and October 2013.
- ▶ **SME** sector is the single largest sector beneficiary of EIB loans – 34% of total ENCA lending.
- ▶ 52% of Bank loans in ENCA were extended to **sovereign borrowers** and 15% to other **public sector borrowers**, without sovereign guarantees.
- ▶ 33% of operations involve **private sector borrowers**, including loans to local banks, to finance projects promoted by SMEs and mid-caps.
- ▶ **EIB supports both large and small projects in the region:**
  - Largest project: Rehabilitation of roads to and around Kiev, Ukraine – EUR 450m loan.
  - Smallest project: Chisinau Trolleybuses, Moldova – EUR 5m loan.

## The EIB's strategic objectives in ENCA

- ▶ **Development of the local private sector**, supporting small and medium-sized enterprises (SMEs) and fostering foreign direct investment (FDI)
- ▶ **Development of social and economic infrastructure**, including projects in the transport, energy, environmental infrastructure, ITC, as well as health and education sectors
- ▶ **Climate action**, covering both climate change mitigation and adaptation projects, in particular the shift to clean energy in traditionally energy-intensive economies.

The European Investment Bank (EIB) is the EU bank. The bulk of its lending is for projects in the EU; outside the EU, the Bank operates mainly under the External Lending Mandate (ELM) and supports projects that contribute to economic development in countries that have signed framework agreements with the EU. The EIB's shareholders are the 28 Member States of the EU. The subscribed capital of the EIB is EUR 242.4bn and its excellent credit rating enables it to borrow at the best possible rates; these benefits are passed on to project promoters.

New representation offices in the Russian Federation and Ukraine enhance the EIB's local presence for all stages of project assessment, preparation and monitoring.

### An integrated EIB offering: matching finance with technical know-how

The European Union allocated a EUR 3.85bn lending envelope to the EIB for operations in the Eastern Neighbours between 2007 and 2013; another EUR 100m was earmarked to support projects in Central Asia over the same period. A further EUR 385m in EIB finance is available for climate action projects in the Eastern Neighbourhood under the EU's Climate Change mandate. All operations under these lending windows benefit from an EU guarantee.



Separately, the EIB has established the Eastern Partners Facility (EPF), a EUR 1.5bn facility under which financing can be provided to support European FDI in the Eastern Neighbours, at the Bank's own risk.

EUR 500m of this facility can be used for projects in Russia. In addition, the countries of the Eastern Neighbourhood and Central Asia are eligible for EIB funding under the Energy Sustainability Facility (ESF).

### Lending in support of the public and private sectors

Three partnerships guide the EU's relationship with these regions and their policies define economic relationships regarding trade, energy and migration and provide a political framework for security and stability:

- ▶ the Eastern Partnership, with **Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine**: The EIB is active in all countries except Belarus, which is currently not eligible for EIB finance;
- ▶ the Strategic Partnership between the **Russian Federation** and the EU: A wide-ranging cooperation strategy to foster links and encourage economic advancement, notably via the EU-Russia Partnership for Modernisation (P4M) initiative; and
- ▶ the EU Strategy for a New Partnership with Central Asia, covering **Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan**: The EIB is currently active in all of these countries, except Turkmenistan and Uzbekistan (no existing Framework Agreement).

All projects, irrespective of size, must meet certain eligibility criteria and their sustainability is analysed in terms of technical suitability and coherence, economic/financial viability and compliance with environmental and international procurement requirements. Once approved, they are monitored closely and financing is disbursed against project expenditure and performance. EIB loan finance may not exceed 50% of the total project cost.

### Long-term loans

**Project loans** for large investment projects (where the project cost is generally not less than EUR 50m). Financing is tailored to the type of investment and appropriate security



### Advisory services to enhance projects

In 2010 the Bank launched a multi-sectoral advisory instrument for the Eastern Partner countries: the Eastern Partnership Technical Assistance Trust Fund (EPTATF). The Trust Fund enhances investment project preparation and provides support throughout project implementation. It also underpins policy and institutional reform via the development of upstream studies and sector strategies, which can alleviate capacity-related obstacles to investment.

is sought. Applications for individual loans may be presented directly to the EIB without any particular formalities. As a general rule, a comprehensive feasibility study as well as the borrower's financial data (audited annual reports, financial projections) should be submitted.

**Intermediated loans** provided via local banks or other forms of intermediated finance for projects with a total cost of less than EUR 25m. Projects may be promoted by SMEs, local authorities or other suitable intermediaries. Applications for the financing of small-scale projects should be sent directly to the financial institutions or commercial banks receiving EIB credit lines.

EPTATF currently operates in Armenia, Georgia, Moldova and Ukraine and has supported 13 projects totalling some EUR 10m between 2011 and 2013.

#### Russia: Heating Russian cities with cleaner energy

A EUR 100m EIB loan is supporting a new combined heat and power plant in Vladivostok, which will provide district heating for the city and electricity for the regional grid. The project is part of a larger programme to bring natural gas to towns in eastern Russia, facilitating the switch from coal as the primary energy source. The move towards cleaner natural gas has a positive climate mitigation impact thanks to reduced emissions and encourages the adoption of international best practices for environmental and energy efficiency performance in Russian thermal generation. For the first time in the region, the EIB will disburse its loan in local currency – the Russian rouble – thereby mitigating the foreign exchange risk borne by the borrower.

#### Moldova: Supporting SMEs in the wine sector

The EIB provides long-term funding to key economic sectors in Moldova and, in some instances, increases the impact of its loans by blending with financial support from other sources. A EUR 75m EIB loan to the Moldovan wine sector was made possible thanks to a EUR 2m grant from the Neighbourhood Investment Facility (NIF) Trust Fund, which provided critical technical assistance. The wine industry accounts for about 30% of the Republic of Moldova's exports and employs 15% of the economically active population. However, efficiency shortcomings affecting the small and medium-sized companies that dominate the sector had led to structural weaknesses. The EIB-funded project addresses these gaps while maximising quality production, expanding revenue bases and supporting rural employment.

### Blending finance to maximise the project impact

In addition to its lending portfolio, the EIB fosters cooperation with other international financing and development institutions to strengthen and coordinate financing efforts. To mobilise additional funding in the Eastern Neighbourhood, the EIB can submit operations for investment grants, risk capital, guarantees and technical assistance (TA) support under the EU's **Neighbourhood Investment Facility (NIF)**. Similarly, in Central Asia, the EIB can submit operations for support under the **Investment Facility for Central Asia (IFCA)**. Investment grants and TA support may also be provided under the **Northern Dimension Environmental Partnership** for environmental projects in Russian regions bordering the EU.



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### **Ukraine: Timely advice for the identification and preparation of railway infrastructure projects**

For project sponsors in the Eastern Partnership countries to be able to avail themselves of EIB financing, they may require technical advice to ensure that projects are optimally prepared and implemented in accordance with international best practice. The EIB is assisting Ukrzaliznytsia (UZ), Ukraine's State Administration for Railway Transport, to develop a prioritised investment programme for Ukrainian railways and create the technical and economic documentation that financiers require to assess investment opportunities. As well as providing the Ukraine authorities with the benefit of the EIB's extensive experience in the transport sector, the EUR 200 000 technical assistance operation under EPTATF is expected to act as a catalyst in attracting further finance for infrastructure projects.



For further information on the EIB and its operations in ENCA, visit its websites  
[www.eib.org/eastern-neighbourhood](http://www.eib.org/eastern-neighbourhood)  
[www.eib.org/projects/regions/central-asia](http://www.eib.org/projects/regions/central-asia)

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