The EIB in Turkey in 2014

To promote smart growth in Turkey, in 2014 the EIB maintained its strong support for small and medium-sized companies (SMEs) and vital infrastructure with new signatures totalling EUR 2.1bn (2013: EUR 2.3bn). At EUR 1.1bn, the loans for SMEs took the lead, demonstrating the EIB’s active role in helping the country’s main job-providing sector. Targeting growth leverage, EIB financing in 2014 also supported other crucial sectors of the Turkish economy, such as the RDI activities of innovative export-oriented companies, transport, telecoms, environment, tourism, energy and urban development.

Support for SMEs and midcaps to promote growth and jobs

Support for SMEs and midcaps took the lead with 54% of total EIB lending in Turkey in 2013. This robust assistance contributed to economic development and job creation in the country in close cooperation with the EIB’s partner banks, comprising public, promotional and private sector intermediaries. The EIB funds were channelled to the real economy in the form of lines of credit made available through Akbank, DenizBank, Eximbank, Garanti Bank, Halkbank, ING, Vakifbank and Ziraatbank.

Particularly important examples of the EIB’s SME lending in Turkey are:

- A ground-breaking EUR 150m operation, the first ever residential mortgage covered bond in Turkey, involving EIB participation in a new programme introduced by Akbank, a long-standing partner of the EIB in Turkey. Akbank is inaugurating a covered bond programme, the first in Turkey backed by residential mortgages.

The EIB’s participation will be in the first bond series issued under Akbank’s newly established programme. Akbank will on-lend the proceeds of the EIB series to eligible SMEs and midcaps. Through this operation, the EIB is continuing its successful cooperation with Akbank, building on
Akbank’s strong position in the SME segment and leveraging its broad geographical outreach. This new credit line increases the availability and maturity of funding for SMEs and midcaps in Turkey, which are an essential part of the country’s economy. Following the successful launch of SME covered bonds in Turkey, the inauguration of mortgage covered bonds in the Turkish market is expected to have a catalytic effect, adding one more innovative funding option to the long-term funding toolset available to Turkish banks for the benefit of SMEs and midcaps. With this new facility, the EIB is supporting further export-oriented investments in Turkey, benefiting growth and job creation.

- A EUR 100m loan to Ziraatbank, co-financed with the Instrument for Pre-Accession Assistance in Rural Development (IPARD), under which the EIB is expanding its SME financing for the first time to rural development in Turkey. The loan will be used to finance investments in the Turkish agricultural and agribusiness sectors. It will contribute to the elimination of regional disparities and difficulties in accessing finance by supporting the development of rural regions.

- A EUR 100m loan in support of municipal infrastructure with a special focus on the less developed areas of the country. The funding was provided to DenizBank in cooperation with the EBRD and other international banks, through a financial scheme based on Diversified Payment Rights securitisation, a funding scheme already well tested with DenizBank in 2011 for the benefit of renewable energy production.

Support for urban development and environmental sustainability

In 2014, the EIB provided a total of EUR 300m in lending for earthquake risk mitigation and safety improvements in private and public buildings in Turkey:

- A EUR 200m loan in cooperation with Türkiye İş Bankası A.S. (Isbank) aimed at strengthening the resilience of Turkey’s residential buildings against earthquakes by significantly rehabilitating or replacing the existing housing stock of condominiums and individual houses with multiple or single owners. Eligible works will also include the related energy efficiency improvements. The final beneficiaries will be the individual property owners. Isbank has become an important partner in the EIB’s support for SMEs and midcaps and for investments fostering sustainable communities in the areas of energy efficiency, the environment, protection against natural disasters, health, the improvement of working conditions and compliance with legally required safety norms.

- A EUR 100m loan to the Republic of Turkey as additional support for earthquake risk mitigation efforts in Istanbul, Turkey’s commercial and financial centre. The EIB funds are being provided in the framework of the Istanbul Seismic Risk Mitigation and Emergency Preparedness Project (ISMEP), launched in 2006 in a proactive approach to managing earthquake risks through prevention and mitigation in the wake of the catastrophic Marmara earthquake of 1999. ISMEP is co-funded by the EIB and other International Finance Institutions (IFIs), including the World Bank, Council of Europe Bank (CEB) and Islamic Development Bank (IDB). Under ISMEP, the EIB focuses primarily on public sector buildings used for healthcare services and education. Since 2008, the total amount of financing provided by the EIB to ISMEP has reached EUR 600m.

Lending for modern infrastructure and improved living conditions

The EIB’s catalytic support for modern infrastructure in Turkey was epitomised by the EUR 200m additional loan to the Republic of Turkey for the Marmaray Project, which will form the first seamless rail link between the European and Asian sides of Istanbul across the Bosphorus Strait. EIB support for this flagship project further consolidates the Bank’s position as Turkey’s key financial partner for the financing of large priority projects and the country’s efforts to re-balance its transport mix in favour of rail.

The project consists of connecting the two railway lines on Pan-European Transport Corridor IV, currently terminating on either side of the Bosphorus, through a tunnel. It also joins the high speed railway between the country’s two largest cities (Istanbul and Ankara), also financed by the EIB. In this way it enables train connections between the two continents. Its merits are many and diverse, including significant time gains for the inhabitants of the metropolitan Istanbul area, as well as for travellers, supporting economic development and improving the quality of life while generating significant environmental benefits.
The Marmaray tunnel itself was inaugurated on the occasion of the 90th anniversary of the Republic of Turkey in October 2013. Significant works are ongoing to upgrade the surface lines feeding into the already completed tunnel sections. These surface sections on either side of the Bosphorus consist of a 63 km rail line and 37 stations in total. The project was first financed by the EIB in 2004. With the additional EUR 200m signed in 2014, the EIB’s total support for Marmaray now amounts to EUR 1.25bn.

The Marmaray project is of crucial importance for the integration of Turkey with the European Union and the development of the Union’s transport network. It is not just one of the largest and most important infrastructure projects to be undertaken so far in Turkey, it is also providing a stimulus to the Turkish and European economies. It is a good example of the catalytic role the EIB can play in co-financing major Trans-European Network (TENs) infrastructure projects. The project constitutes a key element of the government’s plans to increase the importance of rail transport in Turkey by improving the productivity and effectiveness of railway operations. The EIB has been strongly supporting this effort, and hence the total value of EIB support for the Turkish rail system in the last decade amounts to some EUR 2.9bn.

**Financing industrial and technological innovation**

Investment to promote innovation is helping to improve competitiveness and added value, while at the same encouraging job creation. In 2014, the EIB financed the R&D programmes of innovative export-oriented companies in the field of consumer electronics with Vestel in Manisa (EUR 60m) and in the automotive sector with Tofas in Bursa (EUR 55m). The loan to Tofas was the first EIB transaction in Turkey supported by “InnovFin – EU Finance for Innovators”, with the financial backing of the European Union under Horizon 2020 Financial Instruments.
The EIB at a glance

The EIB is the EU’s long-term lending institution and is owned by the EU Member States. It makes long-term finance available for sound investment, contributing to growth, jobs, regional convergence and climate action in Europe and beyond.

To maximise growth and job creation, the EIB targets four priority areas: innovation and skills, SMEs, climate action and strategic infrastructure across the EU.

The EIB has delivered on the commitment made to Member States to mobilise EUR 180bn of additional investment across Europe over the period 2013-2015. Already in the first two years since the EUR 10bn increase in the EIB’s capital decided by Member States in 2012, the EIB Group has provided financing amounting to more than EUR 150bn, supporting overall investment of around EUR 450bn. This includes both regular financing and additional activities following the 2013 capital increase.

Since 2008, the European Investment Bank Group has provided almost EUR 500bn for investment in projects across Europe. The EU bank averagely finances a third of project costs, and EIB loans have mobilised around EUR 1.5tn in this period.

For further information on the EIB in Turkey: www.eib.org/turkey

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