



European Investment Bank

MEMORANDUM OF UNDERSTANDING

between

ASIAN DEVELOPMENT BANK

and

EUROPEAN INVESTMENT BANK

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EUROPEAN INVESTMENT BANK

I. THE COOPERATION PARTNERS

1. The Asian Development Bank (ADB) is an international development finance institution whose overarching objective is to help the Asia and Pacific become a region free of poverty. As the region's multilateral development bank, ADB promotes the economic and social development of its developing member countries (DMCs) through loans, technical assistance, grants, guarantees and equity investments. Although ADB invests largely in public sector projects and programs, it has increased its support for private sector projects and supports public-private sector partnerships.

2. The European Investment Bank (EIB) is the financing institution of the European Union (EU), the capital of the EIB is subscribed by the Member States of the EU. EIB maintains its own legal personality and has financial autonomy within the EU system. EIB operates in Asia under a Mandate from the EU Council. The current mandate covers the period 2007-2013. In support of EU objectives, EIB financing in the Asian countries should focus on environmental sustainability (including climate change mitigation) and energy security projects, as well as the continued support of EU presence in Asia through Foreign Direct Investment, and the transfer of technology and know how. For its operations in Asia, EIB can grant long term loans or loan guarantees.

3. EIB operates in the Pacific under the Cotonou Agreement of 23 June 2000. The Cotonou Agreement provides the resources for EIB Investment Facility (IF) through which EIB can provide funding to the ACP (African, Caribbean and Pacific) countries through a wide range of instruments, including loans, equity investments and guarantees. These can be tailored on a project-by-project basis to meet the specific needs of the clients. EIB is also authorized to use its own resources to provide loan finance to promoters in ACP countries. A combination of different instruments may be used to support the same project. Projects eligible for EIB funding may be either privately owned or commercially-run public sector entities in such sectors as investment including industry, agro-industry, mining, tourism, energy, communications and other revenue-generating infrastructure.¹

4. ADB and EIB have cooperated on parallel financing of projects. Both parties believe that deepening and extending their current cooperation and working together selectively and in ways that capitalize on each institution's comparative advantages, will result in an increased efficiency and effectiveness of their activities in the Asia and Pacific region.

5. In this context, both parties agree to enter into this Memorandum of Understanding (MOU), which provides framework for inter-institutional cooperation. Such cooperation shall be subject to the policies and procedures of the two institutions, as they may be amended from time to time and to such further agreements and approvals as may be required for specific

¹ Further details of ADB operations in Asia and the Pacific can be found in the following website: <http://www.adb.org/Projects/default.asp>; and EIB mandates in the following websites: the Asia and Latin America (ALA) mandate: <http://www.eib.eu.int/site/index.asp?designation=ala>; and the African, Caribbean and Pacific Countries (ACP) or the Cotonou Agreement: <http://www.eib.eu.int/site/index.asp?designation=acp>; respectively.

proposed activities. The present MOU does not supersede, nor prejudice, other forms of cooperation between both institutions.

6. Further details on ADB and on the different mandates of EIB can be found in the Annex.

II. PURPOSE AND PRINCIPLES

7. Through their cooperation, ADB and EIB seek to put together their expertise, capacity and comparative advantages in the most efficient way for the benefit of the recipient countries in Asia and the Pacific in order to contribute to achieving their respective objectives as described in the Annex. ADB and EIB intend to cooperate in jointly selected areas and be guided by the following principles:

- (i) The areas of collaboration align with the country strategies of both ADB and EIB.
- (ii) Long-term approaches to sustainable development.
- (iii) Stakeholder participation.
- (iv) Ensuring environmental and social sustainability.
- (v) Country ownership of investment policies and programs as one of the keys to project success.

III. SCOPE AND FOCUS OF COLLABORATION

8. Based on the above-mentioned principles, cooperation between ADB and EIB is envisioned to include:

- (i) Cofinancing of projects of mutual interest in partner countries in the Asia and the Pacific region;
- (ii) Supporting projects in the region that involve the private sector and public-private partnerships;
- (iii) Supporting projects that contribute to climate protection, in particular in the field of renewable energy, energy efficiency and technologies that will lead to substantial reduction of CO2 emissions;
- (iv) Cooperating in developing risk-mitigating financial instruments to foster growth and private investment in the Asia and Pacific region;
- (v) Provision of technical assistance. ADB and EIB may cofinance technical assistance on a parallel basis for projects in ADB's DMCs in the Pacific;
- (vi) Funding in local currency. ADB and EIB will consider cooperation in providing local currency funding to ADB's DMCs;
- (vii) Informal consultations. To the extent that each institution deems it appropriate for meeting the objectives stated in this MOU, and within limits set by each party's conditions covering business confidentiality, ADB and EIB will collaborate through informal consultations and sharing of information on projects and lending programs as well as evaluation programs, as the case may be.

IV. NATURE OF COOPERATION

9. This MOU does not represent any commitment with regard to funding on the part of the parties hereto. Any such commitment shall be reflected in separate agreements that may be entered into by the parties. Further, this MOU shall not represent any commitment on the part of either party to give preferred treatment to the other in any matter contemplated under this MOU or otherwise. Subject to their policies and procedures with respect to the disclosure of information, both institutions may choose to make this MOU publicly available.

10. This MOU is not intended to create legal relations between the two organizations or to impose formal obligations on them.

11. In keeping with the administrative nature of these arrangements, no provision of this MOU will be construed to interfere in any way with the independent decision-making autonomy of the two organizations with regard to their respective affairs and operations. In particular, nothing in this MOU is intended to run counter to or modify the terms of each party's specific mandates or their statutory rules and provisions.

V. EXCHANGE OF INFORMATION

12. ADB and EIB recognize that effective cooperation depends on open, comprehensive and regular exchange of information at the institutional level. Always subject to their respective policies relating to the disclosure of information, ADB and EIB agree to make appropriate arrangements to:

- (i) deposit copies of publications and public documents of each organization to the main library of the other organization to be maintained as reference documents; and
- (ii) give notice, through information posted on the websites of each organization, of:
 - conferences, seminars and workshops being organized or sponsored;
 - regional, country, sector and thematic policy/strategy documents;
 - program and project approval documents; and
 - regional program, country program, sectoral, project and other evaluations.

VI. ENTRY INTO FORCE

13. This MOU shall enter into force on the date of its signature by the authorized representatives of both institutions and may be amended only by the written agreement of the parties.

VII. TERM

14. This MOU will have a term of five (5) years from the date of its entry into force, and such term may be extended by the written agreement of the parties, subject to such evaluations as the parties deem appropriate.

VIII. REVIEW

15. Both parties agree that a first review of activities under this MOU will be launched within 24 months of its signing to consider further ways to facilitate its implementation. The progress in the implementation of this MOU will be reviewed regularly at intervals convenient to both parties.

IX. TERMINATION

16. This MOU may be terminated by either party by giving three (3) months advance written notice to the other. Notwithstanding, the parties shall take all the necessary actions to ensure that such termination would not be prejudicial to any activity in progress pursuant to said MOU.

X. ACKNOWLEDGEMENTS AND USE OF INSTITUTIONAL EMBLEMS

17. In the event that both organizations are involved in publicized joint cooperative activities, it is agreed that:

- (i) There will be public acknowledgement of the role and contribution of each organization to the project in all public information documentation related to such cooperation; and
- (ii) The use of emblems of each organization in documentation related to cooperation will be in accord with the current policies of each organization concerning such usage.

XI. FOCAL POINTS

18. All communications relative to this MOU should be channeled through the following units:

- a) For ADB: Werner E. Liepach
Principal Director, Office of Cofinancing Operations
Asian Development Bank
6 ADB Avenue, Mandaluyong City
1550 Metro Manila, Philippines
Telephone: (632) 632-4444
Facsimile: (632) 632-2444
Email: information@adb.org
- b) For EIB: Matthias Zöllner
Division Chief, Asia Division
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100 boulevard Konrad Adenauer
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David Crush
Division Chief, Pacific and Caribbean Division
European Investment Bank
100 boulevard Konrad Adenauer
L-2950 Luxembourg
Telephone: (352) 4379-6616
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XII. RESOLUTION OF PROBLEMS

19. During the course of this MOU, the respective focal points will be promptly notified of all problems that impact adversely on the potential of the two organizations to collaborate effectively. The focal points will take appropriate action to seek an amicable resolution. If the focal points are unable to resolve the problem to the satisfaction of both parties, the representatives of the two organizations who are signatories to this MOU will take whatever action they consider appropriate to achieve an amicable resolution.

20. IN WITNESS WHEREOF, each of the undersigned, being duly authorized therefore, have signed this Memorandum of Understanding in seven (7) original counterparts in the English language, five (5) for the Asian Development Bank and two (2) for the European Investment Bank.

At Metro Manila,
on this 14th day of November 2007

At Luxembourg,
on this 29th day of October 2007

ASIAN DEVELOPMENT BANK

EUROPEAN INVESTMENT BANK

Haruhiko Kuroda
President

Philippe Maystadt
President

EIB Mandates and Operations in Asia and the Pacific

1. In ALA EIB grants exclusively loans from its own resources or loan guarantees to finance the fixed assets component of capital projects. When EIB lends under the ALA Mandate, the political risk is covered by the EU budget. In the case of certain large scale, emblematic projects, EIB could also lend beyond the resources available under the mandate provided it could externalize the political risks involved. EIB has signed individual Framework Agreements with most Asian countries¹, which regulate its relations with the local governments.

2. Cooperating in Asia beyond the ALA Mandate. In the case of large scale, emblematic projects of mutual interest in Asia, EIB may lend outside the ALA Mandate. In such situations, the political risks borne by the commercial guarantors of EIB loans would no longer be covered by the EU budget and would have to be externalized.

In particular, EIB's Board of Governors has approved a Facility for Energy Sustainability and Security of Supply for a total amount of EUR 3 billion. This amount will be available in addition to the external lending mandates for specific investment projects in the fields of renewable energy, energy efficiency or contributing to the security of energy supply. Climate protection will be an important focus of EIB lending in Asia.

3. EIB operates in the Pacific under the Cotonou Agreement of 23 June 2000. Larger projects are supported by direct financing and smaller projects are handled indirectly by lines of credit through local financial institutions.

- (i) *Loans under Cotonou.* EIB can provide own resources funding and financing from the IF. Senior debt is the sole own resources product as EIB takes only a very low level of credit risk on own resources, mitigated by guarantee/security arrangements. The IF provides a range of loan instruments from senior debt to junior/subordinated debt to participating or conditional loans, on the understanding that EIB accepts credit risk on behalf of the IF and sets pricing accordingly. Cotonou provides specific cases where the interest rate on loans from EIB's own resources or the IF may be subsidized (high social and environmental benefit projects or infrastructure projects in countries recovering from natural or human disasters).
- (ii) *Equity Investments.* EIB may subscribe for direct minority and temporary equity participations in companies. Warehousing of shares by EIB and investment in equity funds may be also considered. In addition, EIB may provide indirect financing to shareholders in ACP countries to assist them to subscribe for equity participations in local companies.
- (iii) *Guarantees from IF resources.* Cotonou provides that EIB will develop guarantee instruments from the Investment Facility. The pricing of such guarantees will be determined on a case-by-case basis to reflect the risks being taken.

¹ The countries eligible for EIB financing under the current ALA IV mandate are:

- Brunei, Indonesia, Laos, Malaysia, Maldives, Philippines, Singapore, Thailand, Vietnam (ASEAN Group)
- Bangladesh, China, India, Mongolia, Nepal, Pakistan, South Korea, Sri Lanka, Yemen

ADB PROFILE

1. Vision and Mission

The Asian Development Bank is committed to realizing its vision of an Asia and Pacific region free of poverty. An international development financial institution established in 1966, its mission is to help its developing member countries reduce poverty and improve their quality of life.

2. Focus

ADB's operations are diverse, covering agriculture and natural resources, energy, finance, industry and nonfuel minerals, social infrastructure, and transport and communications. Many of its projects focus directly on improving the lives of the poor. ADB works to reduce poverty by promoting pro-poor, sustainable economic growth, social development, and good governance.

3. Partners

ADB's main partners are governments, other international organizations, civil society and the private sector.

4. Financing instruments

In pursuing its vision, ADB provides different forms of assistance to governments and private enterprises in its developing member countries based on a member's priorities. The main instruments are loans including B-Loans (formerly complimentary financing schemes), technical assistance, grants, guarantees and equity investments.

5. Loans and Grant Resources

ADB's operations are financed by issuing bonds, recycling repayments, and receiving contributions from members. About 73% of the bank's cumulative lending comes from its ordinary capital resources. ADB also provides loans and grants from its Special Funds resources. Among them is the Asian Development Fund, which provides concessional loans and grants to ADB's least developed member countries. ADB also manages several trust funds and channel financing of grants provided by bilateral donors.

6. Cofinancing

For every dollar lent by ADB in 2006, an additional \$0.2 was mobilized from other official sources and commercial institutions.

7. Shareholders

Of its 67 members, as of 2 February 2007, 48 of which are from the Asia and the Pacific region; 37 are borrowing members. Japan and the United States are coequally the largest shareholders, each with 15.73% of total subscribed capital.

8. Management

ADB's highest policy-making body is its Board of Governors, which meets annually and comprises one representative from each member. The Governors elect 12 members of the Board of Directors. The President, assisted by one or more Vice-Presidents, and such other officers and staff manages the business of ADB.

