



# India-EBRD Partnership: Current Status and the Way Forward

## I. Introduction

The European Bank for Reconstruction and Development (EBRD), headquartered in London, was established in April 1991. The mandate of the Bank is to help the erstwhile countries of Central and Eastern Europe to reconstruct their economies in the post-Cold War era, evolve into open market-oriented economies, and promote private entrepreneurial initiatives by committing to the principles of multiparty democracy and pluralism (EBRD, 1990). EBRD is the only institution in the group of MDBs that has a predominantly private sector orientation, with a view to promoting private sector development and support efficiency through increased market discipline and policy reforms. The ability to operate in both the public and private sector reinforces the uniqueness of the Bank.

The policy brief focuses on two objectives: first, to examine the EBRD operations and its changing priorities and secondly, analyse the India-EBRD partnership and further explore the possibilities of enhancing India's businesses in EBRD countries of operations. The plan of this policy brief is as follows.

Section II examines the EBRD's operations since inception and its recent focus areas. The partnership between India and EBRD particularly in EBRD's countries of operations both in terms of trade and investments is analysed in section III. Exploring the possibilities of enhancing India's businesses in EBRD countries of operations is discussed in section IV. Finally the last section V provides way forward and conclusion.

## II. EBRD Operations and Shifting Priorities

Over the past 30 years, the Bank has steadily increased its number of shareholders from the original 40 to 71 in December 2020. The Bank's shareholders include European Union (EU) and European Investment Bank (EIB). Though USA is the largest shareholder with 10 per cent of the share capital, EU, EIB and EU member States combined own 54 per cent (post Brexit) of the EBRD's share capital. Out of the total shareholding of the Bank, G7 and OECD represents 57 per cent and 84 per cent respectively.

Over the years, the EBRD has expanded its areas of operations to Africa & Asia and

RIS *Policy Briefs* are prepared on specific policy issues for the policymakers.

This Policy Brief has been prepared by Dr Prasanna V. Salian, Deputy Secretary, Department of Economic Affairs, Ministry of Finance, and Mr Subhasis Dhal, Indian Adviser - Board of Directors, European Bank for Reconstruction and Development, London. The authors are grateful to Prof. Sachin Chaturvedi, Director General, RIS for useful comments.

Disclaimers: The contents of this Policy Brief reflect the opinions of individual authors and do not necessarily reflect the views of the Govt of India or EBRD or RIS.

invests in 38 Countries of Operations (CoOs) spread over in three continents of Europe, Africa, and Asia. The Bank has been the key policy partner of member countries for market reforms through the pursuit of six transition qualities – *competitive, well-governed, green, inclusive, resilient, and integrated*, which are aligned with the 14 out of 17 UN Sustainable Development Goals (SDGs). The Bank’s business model rests on the three operating principles of *transition impact, sound banking and additionality*.

Since inception, the EBRD has invested € 147 billion in 5984 projects till December 2020. In 2020, it invested € 11 billion in 411 projects with private sector accounting for 79 per cent and bulk of investment was in the form of debt finance (84 per cent). By the end of 2020, the EBRD has a portfolio of € 48.4 billion (including undrawn commitments) with almost half of them in sustainable infrastructure sector. The investment in top five countries of operation in 2020 which accounted for 47 per cent of total investment are Turkey (€ 1675 million), Egypt (€ 1046 million), Ukraine (€ 812 million), Greece (€ 797 million) and Poland (€ 789 million).

While economic impact of COVID-19 is still unfolding, EBRD was the first MDB to come out with the Solidarity Package of € 1 billion in March 2020 under Resilience Framework for the existing clients to tide over the short-term liquidity crisis, which was later increased to € 4 billion. EBRD has decided to focus mainly on COVID-19 pandemic recovery related activities during FY 2020 & FY 2021 through its € 21 billion Solidarity Package (EBRD April 2020).

EBRD’s “Strategic and Capital Framework (SCF)” for 2021-25 has set high-level priorities for the Bank while taking stock of adequacy of the Bank’s capital base. Over the next five years, the Bank plans to spend around € 13 billion annually to accelerate transition in its CoOs while ensuring that at least three-quarters of the Bank’s total investment during the SCF period goes to the private sector. The three pillars on which the SCF

envisages to achieve its broad objectives are (i) support the transition to a green, low carbon economy through the new Green Economy Transition (GET), by committing to increase the share of green finance to at least 50 per cent of its investment by the end of the SCF period, (ii) promote equality of opportunity by supporting access to skills, employment, finance, and entrepreneurship for underserved groups and (iii) accelerate the digital transition by leveraging technology within CoOs (EBRD, SCF 2021-25).

### III. India-EBRD Partnership

India has been emerging as an economic superpower and currently, India is the sixth-largest economy by nominal GDP (IMF, WEO 2021). It is, therefore, natural for India to further enhance its international profile and expand its global economic influence by joining the new MDBs. As of today, India is the shareholder in all the major MDBs except Inter-American Development Bank (IADB). India joined the EBRD on July 11, 2018, as its 69<sup>th</sup> member by subscribing 986 shares, comprising 179 paid-in shares and 807 callable shares with the current shareholding of 0.033 per cent.

One of the strong motivations behind joining EBRD has been to get an enhanced access to EBRD’s CoOs and to increase India’s investment opportunities particularly in private sector as the development of private sector is one of the priority areas of Government of India. The investments through EBRD cannot be channelised in India, as currently India is not a Country of Operation of EBRD. However, India’s membership in EBRD is expected to bring potential opportunities for Indian companies to invest and work in the regions of the EBRD and help to step up the pace of joint investments with the Bank.

India’s membership will provide enhanced access of Indian private sector to new markets by way of investment, procurement, and consultancy opportunities. Membership would also help India leverage the technical assistance and sectoral knowledge of EBRD for the benefit of development of private sector

by way of transfer of knowledge and skills. There would be co-financing opportunities in manufacturing, services, Information Technology, and energy sectors between EBRD and Indian policy banks (e.g. Exim Bank) which may act as catalysts for development of trade and investment between India and EBRD regions. Qualitatively, membership will increase India's international political profile and push its economic interests. In addition, the EBRD membership will also enable Indian nationals to explore the employment opportunities in the Bank.

At USD 13.8 trillion, the EBRD members accounted for 72.1 per cent of the world exports and 72.8 per cent of the world imports in 2019. In 2019-20, India's total merchandise exports to the 38 EBRD CoOs amounted to USD 18.9 billion which is 6.02 per cent of India's total exports in 2019-20. Exports, primarily comprised petroleum products/mineral fuels, pharmaceuticals, iron and steel, electric machinery, mechanical appliances, chemicals, pearls & precious stones, vehicles and textiles. On the other hand, in 2019-20, India imported merchandise worth USD 21.2 billion (4.47 per cent of India's total imports) from EBRD CoOs. The major import items of India are mineral oils for distillation, fertilisers, inorganic/organic chemicals, animal/vegetable oils, etc. GoI (2020).

As can be seen from the Table 1, after considering the cumulative figures for last five years, approximately 4.7 per cent of India's total trade is with EBRD's CoOs; with 5.56 per cent of India's total exports are to CoOs and; 4.13 per cent of India's total imports are from CoOs. However, on a brighter side, it may be noted that India's exports to CoOs registered a CAGR of 6.60 per cent against the CAGR of 3.62 per cent of India's total exports over the five year period ranging from 2015-16 to 2019-20. Similarly, India's imports from CoOs and India's total trade with CoOs registered a CAGR of 9.10 per cent and 7.88 per cent respectively vis-à-vis India's total imports and total trade with the world registering a CAGR of 4.50 per cent and 4.14 per cent respectively. Although India's total trade with CoOs registered a CAGR of 7.88 per cent, the relatively low share of India's trade with EBRD member countries exhibit untapped potential.

Southern and Eastern Mediterranean (SEMED) region has now become an important area for EBRD operations where the Bank currently has € 8.2 billion of portfolio. Table 2 shows that, among the EBRD-CoOs regions, SEMED region is India's largest trading partner which accounts for around 65 per cent of India's total trade in the last five years followed by Central Europe and Baltic States (14 per cent). Within CoOs, India's

**Table 1: India's Trade with EBRD Countries of Operations**

(Figures in USD billion)

FY	Total exports (A)	Exports to CoOs (B)	Exports to CoOs as % of total exports (A/B)	Total imports (C)	Import from CoOs (D)	Imports to CoOs as % of India's total exports (C/D)	Total trade (E)	Total trade with CoOs (F)	Total trade with CoOs as % of India's total trade (E/F)
2015-16	262.29	13.71	5.23	381.01	13.72	3.60	643.30	27.43	4.26
2016-17	275.85	14.92	5.41	384.36	16.27	4.23	660.21	31.19	4.72
2017-18	303.38	16.57	5.46	465.58	21.28	4.57	768.95	37.85	4.92
2018-19	330.08	18.44	5.59	514.08	19.30	3.75	844.16	37.74	4.47
2019-20	313.36	18.87	6.02	474.71	21.20	4.47	788.07	40.08	5.09
<b>Total</b>	<b>1484.96</b>	<b>82.52</b>	<b>5.56</b>	<b>2219.73</b>	<b>91.77</b>	<b>4.13</b>	<b>3704.69</b>	<b>174.29</b>	<b>4.70</b>
<b>CAGR</b>	<b>3.62</b>	<b>6.60</b>		<b>4.50</b>	<b>9.10</b>		<b>4.14</b>	<b>7.88</b>	

Note: Compounded Annual Growth Rate (CAGR) for the period 2015-16 to 2019-20.

Source: Ministry of Commerce and Industry (MoCI), Government of India.

trade with Central Asia region is the lowest, however, in the last five years, India's trade with this region has increased with a CAGR of 27.61 per cent.

The value of joint India-EBRD investment in EBRD CoOs stood at around € 872 million as at end of January 2021 with € 697 million and € 175 million from EBRD and India respectively (India-EBRD Shareholder profile)<sup>1</sup>. Majority of these investments are in private sectors of Turkey, Romania, Ukraine, Georgia, Russia, and Egypt. The joint investment has been € 594 million in financial institutions, and around € 306 million in industry, commerce, and agribusiness sectors. Some of the Indian companies/Banks viz., Tata Group, SREI, Jindal, Mahindra & Mahindra, Varroc Engineering, an Indian Tier-1 supplier of automotive lighting systems and ICICI Bank have been supported by EBRD in these investment operations. EBRD has also extensively worked with some of the leading Indian technology services companies such as Tata Consultancy Services, HCL Technologies and Zensar Technologies.

EBRD has signed MoUs with Federation of Indian Chambers of Commerce & Industry (FICCI), Confederation of Indian Industry (CII), and the Associated Chambers of Commerce and Industry of India (ASSOCHAM) with a view to disseminate information about EBRD's products and services among Indian companies, to drive Indian small and medium-sized enterprises (SMEs) to expand internationally and look for new markets in the EBRD region. EBRD continues to work with India's leading business associations (FICCI, CII, ASSOCHAM), through events to raise awareness among their membership networks about the opportunities for Indian businesses in the EBRD region. As part of regional business development in India and to promote the opportunities in the EBRD-CoOs, the Bank has also been organising many workshops/events/webinars in various cities of India and also other EBRD member countries including the joint EBRD - Government of India workshop on "Enhancing Indian Private Sector's Engagement with EBRD" in New Delhi in February 2019.

India is an important source of foreign direct investment (FDI) and transfer of skills in the EBRD's regions. However, the number of Indian investments, the EBRD has supported since India became a member, has not changed substantially. This could be due to several reasons; firstly, there has been a perception particularly in the mind of Indian firms that the EBRD regions remain more competitive, and less attractive than other markets such as African and middle east countries. Second, is the fact that the EBRD is not supporting new investments in Russia since 2014, whilst Russia-India economic ties remain strong and Indian companies continue to invest in Russia. Third, despite EBRD's efforts to raise awareness in the last few years, about the Bank's regions and opportunities it can offer in CoOs, there remains an information asymmetry which need to be overcome through more engagement between EBRD and Indian private sector.

#### **IV. Enhancing India's Businesses in EBRD Countries of Operations**

The most potential engagement between Indian private sector and EBRD can come in the area of fighting climate change and promoting green economy. As the Bank is committed to increase green financing to at least 50 per cent of its annual business volume by 2025, it gives immense opportunities to Indian firms to be a part of Bank's climate mitigation, adaptation and resilience efforts. Till date, the EBRD has signed €36 billion in green investments and financed over 2,000 green projects including 2.2 GW of new renewable power capacity in 2019 alone (EBRD, GET 2021-25). EBRD places high priority on the promotion of renewable energy as part of its overall contribution to combating climate change and has signed a joint declaration with India based International Solar Alliance (ISA). Going forward, ISA should take more proactive steps to broaden and activate the relationship as EBRD is focussing more and more on Green Energy as per the SCF 2021-25. Further, EBRD and India can share

<sup>1</sup> India: EBRD shareholder profile, <https://www.ebrd.com/india.html>



knowledge and skills on mobilisation of finance for solar energy through innovative financial instruments like Green Bonds, ESG bonds, etc. EBRD countries of operations can also leverage from knowledge-sharing on India's economic development experience.

To align with the Paris Agreement for a sustainable Green Economy, EU countries are setting up ambitious targets on cutting down their GHG emissions by 2030. Indian private sector and EBRD can work together on the cutting-edge technology on carbon emission reduction measures like Carbon Capture & Storage (CCS), Hydrogen fuel, electric vehicles etc. EBRD also expects to accelerate investments in digital transition sector, which is one of three pillars under SCF 2021-25. The Indian IT firms being the champion of innovation and efficiency can take the benefit of these initiatives and increased investments of EBRD in its CoOs.

Under Green Cities Framework<sup>2</sup> which includes Smart city initiatives, huge investment and financing is committed by the Bank in sustainable infrastructure sector including water, wastewater and solid waste management etc (EBRD, GCF 2021-25). India's expertise in the Smart City Mission projects can help Indian private sector in bagging contracts in EBRD regions. Green cities program of the Bank also involves providing sustainable, low-carbon

and cost competitive transport infrastructure which promotes the decarbonisation and long-term sustainability of connectivity of people, logistics models and digital infrastructure. Scaling-up of EBRD financing in port/airport modernisation, public transport modernisation by way of CNG/electric buses, electric trams, electrification of railway/freight lines will provide new contracting opportunities to Indian private firms operating in these spaces.

EBRD finances private sectors in diverse areas such as agri-business, financial institutions, information and communication technology (ICT), manufacturing and services, natural resources, power and energy, transportation and tourism. Indian private sector can also take benefit of the Bank's tailor-made financing instruments like trade finance, guarantees, loans and equity to enter the new markets. EBRD's extensive engagement with the local governments across its regions provides comfort to the Indian investors and mitigates the potential non-payment risk.

Some of the specific sectors which have potential to provide investment and procurement opportunities are social & environmental infrastructure ( water supply & sewerage, waste water treatment plants, solid waste treatment), modernisation of ports/airports, healthcare (multidisciplinary hospitals in PPP), urban transport, green

<sup>2</sup> EBRD Green Cities Framework, 2021-25, <https://www.ebrdgreencities.com/>

**Table 2: India's Trade with EBRD-CoOs- Region Wise**

CoOs Region	2015-16	as a % of total trade	2016-17	as a % of total trade	2017-18	as a % of total trade	2018-19	as a % of total trade	2019-20	as a % of total trade	CAGR
Central Asia	0.83	3.03	0.96	3.08	1.5	3.96	1.33	3.52	2.82	7.04	27.61
Central Europe and Baltic States	4.53	16.51	5.03	16.13	5.5	14.53	5.5	14.57	5.66	14.12	4.54
Eastern Europe and the Caucasus	2.48	9.04	3.68	11.80	3.71	9.80	3.37	8.93	3.2	7.98	5.25
South-Eastern Europe	1.54	5.61	1.84	5.90	2.06	5.44	2.45	6.49	2.28	5.69	8.23
Southern and Eastern Mediterranean (SEMED)	18.05	65.80	19.68	63.10	25.07	66.24	25.09	66.48	26.12	65.17	7.67
<b>Total</b>	<b>27.43</b>		<b>31.19</b>		<b>37.85</b>		<b>37.74</b>		<b>40.08</b>		<b>7.88</b>

Note: CAGR for the period 2015-16 to 2019-20.

Source: Ministry of Commerce and Industry (MoCI), Government of India.

and affordable housing, improving energy efficiency in buildings, street lighting and electricity transmission & distribution in the CoOs particularly in Ukraine, Uzbekistan, Mongolia, Kazakhstan, Moldova.

## V. Conclusion and Way Forward

Increased level of engagement between the business communities of India and EBRD region would help in sharing knowledge on India's economic development experience and transfer Indian skills in the member countries of EBRD who are in need of such expertise in their economic transition process. Joining hands with EBRD would also help Indian corporate sector and financial institutions, in gaining local knowledge and expand their activities in the EBRD regions. It is high time that Indian businesses expand their horizon beyond Africa & Middle East and make genuine efforts to enter European market to give a boost to country's exports of goods and services. At the time when the global economic environment is marked by uncertainties, there is scope to innovate and discover new synergies that may generate greater shared benefits for the Bank and India.

EBRD is in the vanguard of renewable energy development and the Bank is committed to invest at least 50 per cent of its business volume in green energy sector in future and focus minimum 75 per cent of its business in the private sector during 2021-25. Therefore, India will benefit from leveraging its partnerships with EBRD and it will provide further opportunities to Indian companies/banks to explore newer investments

in EBRD region in various sectors particularly in renewables and energy efficiency space. Further, given the EBRD's agenda of inclusive and sustainable growth and its expertise in the areas like policy reforms that strengthen the business environment in the CoOs, collaboration between the EBRD and Indian policy Banks will promote deeper integration of Indian economy in the global value chain and realise the untapped potential of trade. Going forward, with the harmony between the EBRD's developmental priorities and India's engagement with EBRD-CoOs, there is a tremendous potential for further cooperation and collaboration between India and EBRD.

## References

- EBRD. 1990. The Agreement Establishing the European Bank for Reconstruction and Development, Paris, 29 May. [www.ebrd.com/news/publications/institutional-documents/basic-documents-of-the-ebrd.html](http://www.ebrd.com/news/publications/institutional-documents/basic-documents-of-the-ebrd.html)
- EBRD. 2020. 'Strategic and Capital Framework (SCF) 2021-2025', at 2020 Annual Meeting on 7 October 2020. <https://www.ebrd.com/what-we-do/strategy-capital-framework>
- Williams, Anthony 2020. EBRD targets coronavirus financing of €1 billion through 2021, European Bank for Reconstruction and Development, 23 April 2020.
- EBRD 2020a. EBRD Green Economy Transition Approach - 2021-25, Document of the European Bank for Reconstruction and Development, 10 July.
- GoI. 2020. Export Import data bank, Department of Commerce, Ministry of Commerce and Industry, Government of India. <https://commerce.gov.in/trade-statistics/export-import-data-bank>
- IMF. 2021. World Economic Outlook Database, April 2021. <https://www.imf.org/en/Publications/WEO/Issues/2021/03/23/world-economic-outlook-april-2021>.

### — Policy research to shape the international development agenda —

RIS Reports, Discussion Papers, Policy Briefs, New Asia Monitor, Occasional Papers and RIS Diary are available at RIS  
Website: [www.ris.org.in](http://www.ris.org.in)



# RIS

Research and Information System  
for Developing Countries

विकासशील देशों की अनुसंधान एवं सूचना प्रणाली

Core IV-B, Fourth Floor  
India Habitat Centre  
Lodhi Road, New Delhi-110 003, India.  
Tel. 91-11-24682177-80  
Fax: 91-11-24682173-74-75  
Email: [dgoffice@ris.org.in](mailto:dgoffice@ris.org.in)  
Website: [www.ris.org.in](http://www.ris.org.in)