

## **Central European Accession Countries**

---

### **EIB Activity in the Future Member States of Central Europe in 2002**

In 2002, the European Investment Bank lent a total of **EUR 3.4 billion** (2001: EUR 2.4 billion) to projects in the future Member States in Central Europe. This brought EIB's total lending in the region since 1990 to nearly EUR 20 billion.

#### **Lending by Sector**

In 2002, EIB lending in the future Member States was in the following sectors: transport (47%), water (26%), energy (5%), health and education (5%), telecommunications (1.5%). These are priority areas in vital need of rehabilitation or modernisation to meet EU standards and build up a sound infrastructure. The remaining 15 % were granted as global loans (credit lines) to local banks to refinance their funding of projects undertaken by small and medium-size industrial and services companies (SMEs) and by local government or associations of municipalities:

Transport	1 610 million €
Water and urban renewal	901 million €
Energy	170 million €
Health and education	165 million €
Telecommunications	52 million €
Industry	26 million €
Global Loans	497 million €
<b>Total</b>	<b>3 420 million €</b>

#### **Lending by Country**

##### **Poland**                      Total:    EUR 1 083 million

Major loans are mainly helping to finance a new passenger terminal at Warsaw's airport, the modernisation of a combined heat and power plant in Swiecie, urban renewal and housing schemes, various road projects including numerous bypasses along roads of national and European importance, the modernisation of railway lines, as well as the upgrading of hospitals, sports facilities and schools. Polish banks were granted credit lines totalling EUR 180 million for financing SMEs and/or urban infrastructure including environmental and energy saving schemes. Out of some 182 small and medium-size projects financed under the global loan scheme with a total of EUR 44 million, 69 were SMEs in industry, 99 in services, seven water projects, four schools, three agriculture firms, two transport and two urban infrastructure schemes other than water.

##### **Czech Republic**                      Total:    EUR 898 million

The largest EIB loan granted in Central Europe in 2002 - EUR 400 million - will help rebuild infrastructure damaged in the Czech Republic during last Summer's floods. Other loans to Czech projects were for the modernisation and extension of Masaryk University in Brno, for the motorway bypass around Pilsen, for a plant making freezers and refrigerators and for the extension of Prague's metro network. New global loans totalled EUR 40 million; EIB's partner banks in the Czech Republic channelled some EUR 63 million to 70 small and medium-size projects under EIB credit lines: 38 SMEs in industry, 14 in the service industries, eight energy projects, three water, three health and education, two transport schemes and two agriculture projects.

**Hungary** Total: EUR 515 million

In Hungary road, rail and local transport, as well as water and health and education schemes were financed with a total of EUR 395 million. New global loans absorbed another EUR 120 million. Local banks financed some 67 small and medium-scale projects using up EIB funds in the amount of EUR 76 million: 36 SMEs in the service sector and 25 in industry, four the water schemes, as well as one energy and one telecommunications project.

**Romania** Total: EUR 383 million

EIB financing in Romania reached EUR 383 million and mainly concerned transports and water projects. In addition, EUR 27 million were provided to local banks for financing SMEs and small infrastructure. Under existing credit lines, two manufacturing firms received loans totalling some EUR 7 million.

**Slovenia** Total: EUR 202 million

The development of motorways and the telecommunications network (GSM) as well as water and wastewater networks were supported with EUR 192 million. Also, a global loan of EUR 10 million was granted. Four smaller-scale projects were financed out of ongoing global loans: one in the water sector, one in industry and two in the service industries.

**Latvia** Total: EUR 123 million

Individual loans of EUR 113 million in all were for upgrading a combined heat and power plant and the national electricity distribution network (EUR 80 m) and the rehabilitation of road sections on Via Baltica (EUR 33 m). A new global loan of EUR 10 million was granted while seven SME projects were financed with a total of EUR 7.4 million, mostly in the timber, services and telecommunications industry.

**Bulgaria** Total: EUR 87 million

Two financing operations were concluded in Bulgaria last year: a loan for upgrading the national power transmission network and a Global loan/credit line to a local bank. From active credit lines a total of just over EUR 1 million was channelled to six SMEs in industry, tourism and services.

**Slovakia** Total: EUR 80 million

In Slovakia, the rehabilitation of water supply and sewerage infrastructure was financed with a total of EUR 30 million. In addition, a global loan of EUR 50 million for financing SMEs and small infrastructures was opened with a local bank. From an ongoing global loan a total of EUR 25 million was used to two co-finance commercial infrastructure schemes.

**Estonia** Total: EUR 50 million

Two banks established in Estonia obtained global loans (credit lines) totalling EUR 50 million for funding small and medium-size projects. Ten projects were financed with a total of EUR 16 million from previously granted global loans: one public sector environmental scheme, namely a landfill in Tallinn; two transport sector projects, i.e. new harbour cranes and road maintenance equipment; and seven projects in industry, tourism and related services, such as warehouses, construction equipment, hotels, office buildings, trade centres and a shopping mall.

**Lithuania** No signature in 2002

Five small-scale projects were financed with a total of EUR 3 million from ongoing EIB global loans.

**Strong Support to SMEs**

EIB further deepened and broadened its lending to SME sector as its partner banks in the region made substantial progress in reaching the smaller SMEs. Indeed the average size of EIB participation in financing SME investment last year dropped to EUR 600 000 from EUR 1.4 million the year before.

From ongoing global loans a total of EUR 233 million went to finance some 350 small and medium-scale projects. New global loans granted to EIB's partner banks in the future Member States reached EUR 500 million.

As the emergence of a strong and competitive SME sector in the new Member States is an important step on the road to convergence of the present and future Member States, EIB has entered into

partnership with the EU Commission to launch a new **SME Finance Facility**. Under this partnership the Commission is making available EUR 45 million in the form of grants and the Bank EUR 450 million in the form of credit lines to selected banks in the region.

EIB and EU Commission are now preparing the launch of a similar scheme to facilitate the flow of EIB funds to local government investing in the rehabilitation and modernisation of infrastructure in general and of environmental protection in particular.

### **Some 26% of Lending for Environmental Protection, Water and Urban Renewal**

The future Member States will also have to comply with the Union's environmental standards. Without counting urban and regional transport schemes, which may also help to reduce air and water pollution or otherwise improve the quality of life, the Bank maintained a steady flow of funds to environmental protection schemes. Co-financing between EIB loans and grants from the European Commission under its ISPA programme for transport and environmental projects is growing steadily.

### **EIB on Capital Markets of New Member States**

Borrowing on the capital markets of the Czech Republic, Hungary and Poland not only enabled the EIB to fund many projects in local currency but also contributes to the deepening and internationalisation of these re-emerged markets. In 2002, the Bank issued the equivalent of EUR 535 million in CZK, HUF and PLN, a 75% increase over 2001. EIB is busy preparing the extension of its capital market activities to more Central European countries.

Highlights of EIB's activities on Central European Capital Markets in 2002:

- In March, EIB launched its first 15-year domestic zero-coupon PLN issue, thus extending the existing PLN yield curve by five years and increasing the opportunities for long-term domestic investors such as insurance companies.
- In June, the Bank launched the first ever HUF euro-tributary issue, designed to attract international investors to the HUF market by allowing them to profit from expected further convergence of HUF and EUR interest rates.
- In October EIB launched the first ever CZK international bond with a maturity of 20 years. EIB had a strong presence in the CZK new issues market, bringing its March 2009 issue up to benchmark (CZK 5 billion) size.

EIB works hand in hand with local and international banks to tap the region's capital markets to obtain suitable funds – directly or after swaps – for financing projects with loans in local and/or international currencies.

### **Intense Cooperation with the Banking Sector**

The scope and impact of EIB lending in the future EU countries to the East and to the South could hardly be as successful without close cooperation with the banking sector in the region. It would be impossible to reach the SMEs - and in particular the small firms - without the help of local banks which have in-depth knowledge of local situations and good relations with grass-root SMEs that are starting to develop across the region. Other operations where EIB is largely dependent on cooperation with the banking sector is the need to find adequate guarantees for its loans.

### **European Investment Fund – Venture Capital for the New Member States**

While the Member States remain its main focus, the EIF is also playing a growing role for the financing of high-tech companies in the future Member States. Last year, the EIF took a participation in Prague-based Genesis Private Equity Fund, extending EIF's geographic coverage to the Czech Republic and Slovakia. This brought to six the number of participations in Central European Venture Capital Funds and to EUR 75 million the total invested by the EIF in the region.