

EIB ACTIVITY IN THE FUTURE MEMBER STATES IN 2003

In 2003, the European Investment Bank lent a total of **EUR 4.6 billion** (2002: EUR 3.4 billion + 200 million Cyprus/Malta) to projects in the future Member States in Central Europe. This brought EIB's total lending in the region since 1990 to nearly EUR 25 billion. Lending in Malta and Cyprus, notably Cyprus, amounted to EUR 235 million in 2003.

Lending by Sector

In 2003, EIB lending in the future Member States went to the following sectors: transport and telecommunications infrastructure (37%), water & environment (16%), industry & services (19%) and health and education (14%). These sectors deal with priorities in vital need of rehabilitation and modernisation to meet EU standards to prepare the new Members for accession. The remaining 14 % were granted as global loans (credit lines to local banks) for funding projects undertaken by small and medium-size industrial and services companies (SMEs) and by local government or associations of municipalities:

Transport and telecommunications	EUR	1 681 million
Water (i.a. urban infrastructure) & environment		736 million
Industry & services		869 million
Health and education		643 million
Global Loans		660 million
Total	EUR	4.589 million

Lending by Country

Poland Total: EUR 1 345 million

The major operation in Poland in 2003 was a EUR 500 million facility, complementing grant support from the EU's structural funds, to support the Polish National Development Programme. Other major operations include support for investments in transport and health and education infrastructure. Transport infrastructure covers new construction, upgrading standards, city bypasses, airports and the removal of bottlenecks in the roads and rail network. Support for health and education infrastructure included notably research and development projects, innovation and high-tech centres and infrastructure in the education sector. EUR 50 million went to the Office for Flood Damage Recovery for measures for landslide protection following the recurrent floods in 1997-2001. New global loans totalled EUR 120 million.

Czech Republic Total: EUR 1 217 million

EIB's major involvement in the Czech Republic in 2003 was with the automotive sector. EUR 220 million went, as part of a wider framework programme for Germany, Sweden, the Czech Republic and Hungary, for car-components manufacturing in the Czech Republic. EUR 450 million went to the establishment of a small cars' production plant on the outskirts of Prague. Loans also went to the construction of Prague's second airport and the extension of Prague's metro network. New global loans totalled EUR 95.

Hungary Total: EUR 741 million

In Hungary air, road and rail transport were financed with a total of EUR 460 million. EUR 100 million went to MALEV for the acquisition of aircraft and EUR 170 million and EUR 190 million went respectively to railway station and line renovation as well as city bypasses in the road sector. Hungarian projects received EUR 65 million in the framework programme for Germany, Sweden, the Czech Republic and Hungary for

car-components manufacturing in Hungary. EUR 45 million went to waste water treatment installations in Debrecen, Kecskemet and Szombathely. New global loans totalled EUR 170 million.

Romania Total: EUR 503 million

EIB financing in health and education infrastructure in Romania reached EUR 243 million for renovation and establishment of school facilities. EUR 200 million went to a motorway project in the West of the country and a wood-mill received EUR 35 million. New global loans totalled EUR 25 million.

Cyprus Total: EUR 235 million

Lending to Cyprus in 2003 went towards school-infrastructure in the health and education sector (EUR 200 million) and to upgrade the administration's IT services.

Since 1990, EIB financed EUR 953 million in Cyprus, 33% of which (EUR 315 million) in the health and education sector, 24% (EUR 230 million) in energy, 18% (EUR 167 million) for transport, 14% (EUR 133 million) towards Global Loans and the remainder to industrial and environmental projects.

Slovakia Total: EUR 209 million

In Slovakia, the rehabilitation of road infrastructure and the construction of southern road bypass for Bratislava were financed for a total of EUR 95 million. In addition, modernisation and expansion of a paper mill was financed for EUR 64 million. New Global loans totalled EUR 50 million.

Slovenia Total: EUR 109 million

Financing in Slovenia in 2003 supported the modernisation of the rail-network (EUR 34 million) and to a new Global Loan of EUR 75 million.

Lithuania Total: EUR 100 million

In Lithuania the Bank contributed EUR 60 million to a "Cohesion and Structural Funds Framework Facility". The Facility will be used for investments in the development of transport, energy, water infrastructure and for meeting Community standards in the area of environment, as well as development of health and education infrastructure. Projects will be co-financed by the EU Structural Fund and the EU Cohesion Fund respectively. In addition two new Global Loans, totaling EUR 40 million, were granted.

Bulgaria Total: EUR 60 million

Lending to Bulgaria consisted of one operation for the modernisation of the country's priority transit routes.

Latvia Total: EUR 40 million

In Latvia two new Global Loans of respectively EUR 30 million and EUR 10 million were advanced to Mortgage and Land Bank of Latvia and NORD/LB Latvija.

Estonia Total: EUR 30 million

The operation in Estonia concerns a new Global Loan to Hansapank.

Malta No signatures in 2003

Since 1990 EIB financed EUR 69 million on Malta, 47% of which (EUR 32 million) in water and environmental projects and 45% (EUR 31 million) for Global Loans, the remainder went to transport sector.

Strong Support to SMEs

The EIB supports SMEs with medium and long-term debt financing through global loans, providing term finance at favourable conditions in domestic currency through a large number of banks. The size of the individual final credits – allocations - to SMEs ranges between EUR 40 000 and EUR 25 million.

EIB encourages its partner banks in the region to make special efforts to reach the smaller SMEs. As a result, the average size of EIB participation in financing SME investment has dropped from EUR 1 400 000 to EUR 600 000.

In the context of the EIB/EU-Commission partnership the “**SME Finance Facility**” EUR 300 million went to finance some 335 small and medium-scale projects from ongoing global loans. New global loans arranged with EIB’s partner banks in the future Member States reached EUR 300 million. Following the success of the SME Finance Facility concept and its implementation, EIB has joined the EU Commission in the **Municipal Infrastructure Facility** (MIF). Promoted by the European Commission, the MIF aims to accelerate the development of small municipal infrastructure projects in areas where acceding countries border on current EU Members. Under the MIF, EIB allocates part of its global loans credits for on-lending to municipalities whereas the EU Commission commits grants to both EIB Intermediaries and final beneficiaries for these municipalities’ projects.

Intense Cooperation with the Banking Sector

The scope and impact of EIB lending in the future EU countries depends on close cooperation with the banking sector in the region. They are essential for reaching the SMEs - and in particular the smaller firms. Local banks know the local markets and maintain relations with starting SMEs in the region. In addition the EIB operates with the banking sector in the region, both international and domestic banks, in arranging adequate guarantees for its financing operations.

EIB on Capital Markets of New Member States

Issuance in EU-Acceding country currencies more than doubled (compared with 2002) to an equivalent of EUR 1.3bn, cementing EIB’s position as the largest non-government issuer in both the region and in all four markets that it tapped (CZK, HUF, PLN and SKK). This growth in borrowing in local currency has supported continued lending growth and EIB’s position as the largest external lender in the region. Borrowing highlights included increased placements of innovative structured products and exceptionally long maturities (notably in CZK and SKK).

16% of Lending for Environmental Protection, Water and Urban Renewal

The future Member States will have to comply with the Union’s environmental standards. Besides 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, in particular in the water and waste-water treatment sector as well as for urban improvements..

European Investment Fund – Venture Capital for the New Member States

While the Member States remain its main focus, the European Investment Fund is also playing a growing role for the financing of high-tech companies in the future Member States. Last year, the EIF signed three guarantees operations in Eastern Europe (in Bulgaria, the Czech Republic and Latvia) for credit insurance operations amounting to EUR 54 million.