
WESTERN BALKANS

- **EIB operations embracing new sectors and fostering the integration process.**
- **New loans: EUR 372 million**
- **Disbursements: EUR 170 million**

In 2003, EIB lending in the Western Balkans was characterised by diversification into "new" sectors such as education, health, local authority financing (water, urban transport and heating, waste processing).

Such diversification (interesting examples of which include "Emergency Health Project" in Serbia and Montenegro, "Municipal Infrastructure Framework" in Croatia and "Municipal Water Infrastructure" in Albania) should make it possible to significantly expand the range of projects financed and establish a basis for developing the Bank's activities in the coming years.

Private sector development

Direct EIB financing for private sector development is one of the priorities of the medium-term Strategy for the Balkans approved by the Bank in June 2003. However, the size of private investments remains limited, and the global loans facility is considered suitable to meet the financing requirements of SMEs. For private-sector ventures costing over EUR 20 millions which are of particular interest to the host country, the Bank is intending to utilise its experience in financing industrial projects. It will thus be able to support any private sector development initiative by making available to the Balkan countries its own network of contacts, notably with leading European companies.

Projects in 2003

ALBANIA: New EUR 27 million loan for environment sector project (Municipal Water Infrastructure): upgrading and expansion of water and sanitation networks in 5 Albanian cities (Sarande, Korçë, Durrës, Lezhe and Shengjin).

FYR of Macedonia: New EUR 13 million loan for energy sector project (ESM Power Substations): modernisation of electricity transmission lines to improve the quality and reliability of supply.

CROATIA: 3 new loans totalling EUR 170 million:

- Raiffeisen Bank GL (EUR 30 million)
Global loan for SME financing
- Municipal Infrastructure Framework (EUR 50 million)
Rehabilitation and modernisation of local authority infrastructure in the west of the country (Slavonia).
- Plinacro Gas Pipeline (EUR 90 million)
Modernisation and expansion of the gas transmission network along the country's east-west corridor.

SERBIA/MONTENEGRO: 3 new loans totalling EUR 162 million:

- Belgrade Urban Renewal (EUR 90 million)

- Multiannual road network and urban transport modernisation programme for the City of Belgrade
- Emergency Health (EUR 50 million)
Restoration of basic services in twenty regional hospitals located in Serbia
- Power Control System (EUR 22 million)
Modernisation of Serbian national power company EPS's control centre and telecommunications system

A EUR 47 million loan for a project to modernise air traffic control services was also approved end-2003 and will be signed shortly.

KOSOVO

Preparations for possible EIB lending in this region are progressing in line with the schedule agreed with the Commission and UNMIK. Negotiations on a "Framework Agreement" between the Bank/United Nations Mission in Kosovo and the provisional government are currently under way, and if their outcome is positive it will be possible to commence lending in this region. In view of the limited budgetary resources, initial operations in Kosovo are likely to focus on the rehabilitation of key infrastructure.

Operational framework of EIB activity in the region

EIB activity in the Western Balkans was launched in 1999 in the framework of the Stability Pact with the primary aim of supporting transport sector projects. In 2001, the Bank began diversifying its financing operations to provide increased backing for the private sector.

The EIB currently operates in south-eastern Europe under the mandate for Central and Eastern Europe received from the Council of Ministers for the period 2000-2007. This provides for a maximum EIB lending envelope of EUR 9.28 billion to complement the cooperation policies pursued by the EU and, bilaterally, by its Member States. Underlining its commitment to help rebuild the region in the aftermath of the conflicts in the 1990s, the EIB has played an active role in preparing the investment programme for reconstruction in cooperation with the European Commission and other multilateral financing institutions.

The EIB will in the coming years press ahead with its financing in support of the integration of the Western Balkans countries, in close collaboration with the European Commission, the European Agency for Reconstruction and other international funders such as the World Bank and EBRD. Under the operational plans for 2004, average annual EIB lending is set to be maintained at some EUR 400 million.

Cooperation with the Commission, other IFIs and principal donors

The privileged working relationship established with both the Commission (CARDS Programme) and the European Agency for Reconstruction (EAR) has generated impressive operational outcomes. All EIB-supported projects in Serbia and Montenegro are backed up by "tailor-made" technical assistance financed by the EAR. Operations on the ground have enabled the rapid development of synergies between the Commission and the Bank, making it possible to offer the beneficiary countries fully coordinated, and thus more visible, European support.

Operational relations forged in recent years with the EBRD and the World Bank have likewise given rise to the joint appraisal and financing of a large number of projects with these financial institutions. Strengthening the partnership with i) the EBRD, by extending it to private sector operations, and ii) the World Bank, in the health and education sectors, will provide scope for the diversification and further development of these relationships.

The EIB's coordination efforts in the Balkans have also facilitated the establishment of operational relations with several bilateral donors: Germany (KfW), Italy (Cooperazione Italiana), France (technical assistance in Montenegro), Luxembourg (technical assistance in Albania), and the United States (USAID).