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The Bank promoting European objectives

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Preparing enlargement of the European Union

Closest to the European Union are the Acceding and Candidate Countries and the countries in the Western Balkans, who may be seen as potential candidate countries further down the road.

2006 was the last year before Bulgaria and Romania joined the European Union. Projects concentrated on assisting the acceding countries Romania and Bulgaria in their preparations for joining the European Union on 1 January 2007. As a consequence, the new EIB mandate for pre-accession countries for the period 2007-2013 is smaller. It has been adjusted from EUR 10.2bn in 2000-2006 to EUR 8.7bn.

Bulgaria

In 2006, a Memorandum of Understanding was signed with the Republic of Bulgaria setting up a support framework worth EUR 500-700m per year over the period 2007-2013 for the Bulgarian government's investment priorities. Cooperation will focus on:

- Improving and upgrading the country's basic infrastructure in the **transport** and **environment** sectors (in combination with EU grants and other sources);
- Providing **technical support and expertise** for selected EU Cohesion and Structural Fund projects defined in the JASPERS National Action Plan;
- Assisting the Government in the implementation of a **national PPP programme**.

With the attractiveness of a low-wage environment, a workforce with a high level of skills and the safeguards offered by Bulgaria's accession to the EU in 2007, foreign investment levels remain high and support general economic growth. In addition to the direct lending operations of the Bank, higher investment and a booming SME market are also being supported by channelling EIB funds through national credit institutions. In 2006, EIB financed small and medium-sized enterprises and infrastructure projects for a total of EUR 60m.

Romania

Romania signed a framework agreement with the Bank in 2006 on a potential range of projects and measures, emphasising infrastructure priorities in the transport and environment sectors, expected to take up EUR 1bn in loans per year. This also includes co-financing with the EU, where the Bank is committed to supporting Romania's investment needs in the 2007-2013 programming period. Ongoing structural reforms, close cooperation with the Bank and stronger presence due to a local EIB and JASPERS office which is to open early 2007, is expected to further enhance cooperation and the Bank's role is expected to help assure that projects will be financed and implemented in the most cost-effective way.

2006 projects, reaching a total volume EUR 679m, were dedicated to priority projects in the water and transport sector as well as to the private business sector financed through local banks. Thus, the Bank financed the construction of a wastewater treatment plant in Bucharest, the modernisation of the Bucharest metro, and provided credit lines for on-lending to SMEs and infrastructure projects to Bancpost and Banca Comerciala Romana.

Macroeconomic stability and continuous strong FDI inflows, expected remain at high levels in 2007 will create additional investment opportunities for the Bank in the private sector business.

Croatia

In support of Croatia's bid for EU membership, the EIB's lending operations support projects that help the country to meet accession criteria and to integrate rapidly into the European Union. Since 2001, EIB lending in Croatia has exceeded EUR 900m. In Croatia, EIB lending has been traditionally focused on the construction and rehabilitation of the country's infrastructure, especially transport infrastructure. The same was true in 2006, when the EIB lent a record EUR 270m for transport infrastructure, including the construction of the final section of the Rijeka-Zagreb motorway, which was a missing link on the pan-

European corridor from the Hungarian border via Croatia to the Slovenian border.

In the years ahead, the Bank plans to extend its operations in Croatia to the environmental and human capital sectors, in close cooperation with the Commission and the EU Instrument for Pre-Accession Assistance.

Turkey

2006 has been a record year for the EIB's operations in Turkey. Against the background of growing investments in the country, accelerated by the start of EU accession negotiations, the EIB's investments in Turkey reached some EUR 1.8bn in 2006, marking a significant increase compared to the previous year. The EIB is a partner to national and foreign industrial investors and supports, through cooperation with an extended network of local banks, a vibrant SME sector in Turkey. Strong trading links and efficient infrastructure, including transport corridors will support the prosperity of the country and its efforts towards EU membership. In that spirit, a large share of the Bank's lending went to investment in communications, such as the construction of a high-speed railway between Istanbul and Ankara, Turkish Airline fleet renewal and expansion, and investment in the mobile telephone network of Vodafone-Turkey.

As a, Accession country, Turkey will receive for the period 2007-2013 EU budgetary contributions provided by the new EU Instrument for Pre-Accession Assistance (IPA). The EIB does closely cooperate with the European Commission and the Turkish public bodies in defining future priority investments in line with the national development plans and EU priorities. The EIB plans to finance in the coming years projects worth EUR 2bn per year.

The EIB started operations in Turkey more than 40 years ago. It is the largest recipient country of EIB financing outside the EU. Total lending in the period 2002-2006 reached EUR 4.6bn. The planned opening in 2007 of two local offices, in Ankara and Istanbul, underlines the importance of Turkey for the EIB.

Western Balkans

In Western Balkans countries, the financing operations of the EIB aim at facilitating the integration process into the European Union. In addition, EIB support helps to foster political and economic reform and encourages social reconciliation in the region. The success of this process is of vital interest to the countries concerned and the European Union as a whole.

EIB financing in Albania, Bosnia and Herzegovina, FYR of Macedonia, Montenegro and Serbia helps the countries to meet EU accession criteria and participate in the EU's economic development. In 2006, the EIB signed loans for a total of EUR 412.5m in the Western Balkans, representing a record level in the region. Total lending since 1995 amounts to EUR 2.1bn.

In 2006, the EIB has continued to diversify its lending into relatively new sectors such as health and education (e.g. an Education Development Loan in Albania, or the Upgrade of Clinical Centres in Serbia). Moreover, the Bank has expanded its activity in favour of projects aimed at improving the environment and the quality of life in the region, as with the loan in support of a water and sanitation project in Montenegro. However, the upgrading of the infrastructure networks, with an emphasis on fostering regional integration and removing bottlenecks in road, rail and energy systems remained the main focus of EIB lending (e.g. road rehabilitation in Republika Srpska, railway modernisation in Serbia, upgrading of the Port of Durrës), while support to SMEs also remained a key area of EIB operations.

The EIB co-finances major projects in the region with other International Financial Institutions, particularly the European Bank for Reconstruction and Development (EBRD), the World Bank and the Council of Europe Development Bank, as well as with bilateral donors. The EIB also continues its close cooperation with the European Commission and the European Agency for Reconstruction in order to prepare and co-finance projects with EU budgetary contribution provided by the new EU Instrument for Pre-Accession Assistance (IPA).

For further information on the EIB, visit its website www.eib.org.

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