



## Promoting Convergence, as well as Economic and Social Cohesion

Since its creation, the lion's share of the Bank's annual financing has gone to investment strengthening the fabric of the European Union and promoting the development of its least advanced regions. Traditionally, some two thirds of its annual lending has gone to poor regions in the Union. However, since the renewed EU Cohesion Policy for 2007-2013 came into force, EIB lending for convergence purposes – stimulating growth to achieve the convergence of the poorest regions – has focused on a smaller number of regions. In 2008 convergence financing totalled EUR 21bn, i.e. 36% of total EIB annual lending. Outside convergence regions, the new regional policy promotes the objectives of competitiveness and employment, which the EIB supports mainly by fostering the knowledge economy, the development of trans-European networks, small and medium-sized enterprises and environmental sustainability.

The EIB's convergence lending covers a total of 113 regions in the EU-27 with a population of 190 million. These regions also receive the strongest support from the Structural and Cohesion Funds. Over the seven-year period, EUR 347bn in grants from the Structural Funds will be allocated to EU convergence and regional competitiveness policy objectives, representing nearly 35% of the Union's total budget, which for the first time puts this finance stream ahead of the common agricultural policy. Additional and synergetic support will be granted by the EIB, with an estimated 40% of total annual lending in the years to come. The convergence objective will therefore remain a core target for the Bank. Even more so since, as part of the package of measures to combat the financial and economic crisis, the EIB plans to support some Member States which have been hit disproportionately by the financial crisis by increasing its convergence lending for poorer regions by a further EUR 2.5bn in 2009 and 2010.

In addition, the EIB and the Commission aim for the most effective combination of Bank loans and Structural Funds grants by cooperating in sectoral programmes that also offer technical assistance. There are four such programmes, known as the "4 Js", originating from partnerships established between the European Commission, the EIB Group and other international financial institutions. They are:

- **JASPERS** - Joint Assistance to Support Projects in European Regions (EIB, European Commission, European Bank for Reconstruction and Development and KfW Bankengruppe);
- **JESSICA** - Joint European Support for Sustainable Investment in City Areas (EIB, European Commission and Council of Europe Development Bank);
- **JEREMIE** - Joint European Resources for Micro to Medium Enterprises (EIF, European Commission);
- **JASMINE** - Joint Action to Support Micro-Finance Institutions in Europe (EIF and European Commission).

### Highlights in 2008 activity

The total convergence lending of EUR 21bn in 2008 met the objectives set for the year, and represented a 34% increase compared to 2007, when it reached EUR 15.6bn. In 2008 new Member States received an aggregate of EUR 7.8bn for convergence projects (compared to EUR 6.3bn in 2007), i.e. 38% of the total convergence lending. Per capita, the new Member States as a group are the most important recipients of convergence loans. With EUR 5bn, Spain is the top recipient in absolute terms, followed by Poland with EUR 2.7bn. Malta leads in per capita terms, followed by Latvia.

Key projects in the five largest beneficiary countries under the economic and social cohesion and the convergence objectives (Spain 24%, Poland 13%, Italy 12%, Portugal 9%, Germany 9%):

- **Spain:** The upgrading of primary, secondary and vocational educational facilities in the region of Valencia has benefited from EUR 168m. EUR 271m went to solar, wind and photovoltaic energy production in various parts of the country. Communication infrastructure also played an important role.

- **Poland:** EUR 400m will help to modernise the railway line linking Warsaw with Gdynia through the country's major port of Gdansk along a priority trans-European transport axis. EUR 575m, in co-financing with the Swedish Export Credit Corporation and the Nordic Investment Bank, went to the construction of the second phase of the A1 motorway forming part of the priority trans-European transport network connecting the North of Poland (Gdansk) with the Austrian capital Vienna via the Czech and Slovak Republics. EUR 600m supported public scientific and university-based research projects.
- **Italy:** EUR 126m was provided for fixed and mobile broadband telephony investments. EUR 400m loan served to finance projects included in the Regional Operating Programme for Calabria, supplementing the contributions from the Structural Funds (Regional Development Fund and European Social Fund) for the period 2007-2013. EUR 1bn went to the environmental, tourism, transport and urban renewal sectors in the Campania region.
- **Portugal:** EUR 350m went to the Douro Litoral PPP motorway project, around the Porto metropolitan area. And EUR 60m was provided for the metro of the city of Porto. An aggregate EUR 70m went to wind energy production.
- **Germany:** EUR 400m was provided for the Berlin/ Brandenburg airport extension. EUR 300m went to research activity in the Federal State of Mecklenburg-Vorpommern. In Jena, in the Federal State of Thüringen, EUR 200m financed manufacturing facilities for polycrystalline silicon wafers, used as a pre-product for photovoltaic cells and modules.

#### Convergence showcase examples:

- **Latvia:** In view of the importance attached by EU leaders in the context of the anti-crisis measures to EIB lending for key infrastructure projects, EUR 500m was advanced for key investments, co-financed with EU funds in the period 2007-2013. The loan aims to strengthen the competitiveness of the Latvian economy by enhancing the effective use of the EU grant funds allocated to the country. It builds on the excellent cooperation with the Latvian authorities in a joint operation with the European Commission to support a large number of projects that in view of their relatively small size might not have direct access to EIB financing. This tripartite cooperation targets social and economic infrastructure, education, training and the promotion of entrepreneurship as well as transport, environment and energy, maximising donors' efficiency and impact.
- **Romania:** The Bank lent EUR 1bn to co-finance Romania's national contribution to the implementation of investment priorities and measures with EU funds over the period 2007-2013. In addition, the loan may be used to finance priority projects not benefiting from EU grant support. The priority projects are particularly in the sectors of transport infrastructure and the environment, including protection of nature conservation areas, energy and wastewater management. Technical assistance for managing and implementing the individual projects is envisaged, thereby complementing upstream project preparation activities carried out by JASPERS. Another major feature of the loan is the possibility of a EUR 250m upfront disbursement to accelerate the implementation of the selected projects.

#### Special support for project preparation in EU-12 New Member States in 2008

**JASPERS** (Joint Assistance to Support Projects in European Regions): in 2008 JASPERS completed 82 projects and provided active assistance to a total of some 280 projects that, if approved by the European Commission, will absorb investment of around EUR 51bn. The JASPERS portfolio remains relatively well balanced between the five sectors: roads (19%), railways/ports/airports (21%), urban development (13% including urban transport, energy efficiency), water/wastewater (24%) and solid waste/energy (17%), with about 8% absorbed by telecoms, culture and R&D infrastructure projects. A small part of the JASPERS portfolio (14%) is focused on horizontal tasks such as providing expertise on public-private partnerships (PPPs), the financial analysis of projects and state aid issues.

**JESSICA** (Joint European Support for Sustainable Investment in City Areas): in 2008 JESSICA activities expanded rapidly. Greece and Portugal were the first two European Member States to sign Memoranda of Understanding to implement JESSICA structures in cooperation with the EIB. Similarly, the Managing Authorities of Wielkopolska (Poland), the Greater London region in the UK, and Andalusia and Galicia in Spain signed Memoranda of Understanding to implement JESSICA programmes in their constituencies.

Based on the agreements already signed and the contacts developed with other Managing Authorities in 2008, the EIB estimates that more than EUR 900m of European Structural Funds resources will be placed in JESSICA Holding Funds/Urban Development Funds.

**JEREMIE** (Joint European Resources for Micro to Medium Enterprises): by the end of 2008, the EIF had carried out 53 national and regional evaluation studies (gap analyses), thus finalising the evaluation phase of the initiative. To date the EIF has signed 7 agreements with Member States and regions, four of which in new Member States. The total funds going to SMEs under these agreements amounted to EUR 613m by the end of 2008.

**JASMINE** (Joint Action to Support Microfinance Institutions in Europe): JASMINE is a EUR 50m 3-year pilot initiative to help entrepreneurs without access to the banking sector to create or develop projects. JASMINE will provide both operational technical assistance and funding (equity and debt) to institutions providing microcredit. In 2008, the EIF's JASMINE team conducted evaluation studies covering 12 EU countries to assess the demand for "non-banking" microcredit. It concluded that there were some 11 million potential microcredit borrowers in the EU, a market which is recognised as particularly important in the current environment.

*For further information on the EIB, visit its website [www.eib.org](http://www.eib.org).*

**Press contacts:**

Press Office, [press@eib.org](mailto:press@eib.org); Tel.: (+352) 43 79 - 21000; Fax: (+352) 43 79 - 61000

**General questions:**

EIB Infodesk, [info@eib.org](mailto:info@eib.org); Tel.: (+352) 43 79 - 22000; Fax: (+352) 43 79 - 62000