



Convergence lending increases by 36% in 2009

The European Investment Bank increased its total lending to as much as EUR 79bn in 2009 as its contribution to the European Recovery Package and in response to strong demand for funding in a current tough economic and financial climate. Investment in the 'convergence' regions of the EU was one of the key areas targeted by the Recovery Package. Convergence lending totalled EUR 29bn, i.e. 37% of total EIB annual lending. This amount represents a 36% increase compared to convergence lending in 2008, which stood at EUR 21bn. The lending was well balanced between the EU-15 and EU-12 new Member States, with the latter receiving an aggregate amount of EUR 12.8bn (compared to EUR 8.1bn in 2008), i.e. 44% of total convergence lending. In absolute terms, the convergence regions of the EU-15 received the lion's share of the lending, whereas, in per capita terms, the New Member States were in the lead. With EUR 4.8bn, Spain is the top beneficiary of convergence lending in absolute terms, followed by Poland with EUR 4.6bn. Estonia leads in per capita terms, followed by Portugal, Lithuania and Slovenia.

The EIB has been more closely involved in co-financing with structural funds; it has supported Member States in their obligation to complement EU grants with their own budgetary resources. *Structural Programme Loans* (SPL) form a flexible framework approach promoting absorption, better use and leverage of EU Structural Funds. Structural Programme lending in convergence regions amounted to more than EUR 3.1bn in 2009.

In terms of *European territorial cooperation*, the EIB has been a key partner in the design, launch and implementation of the EU Baltic Sea Strategy (BSS) and acted as a pathfinder for the new macro-regional strategy developed by the Commission at the request of the European Council. The EIB contributes to this Strategy via its lending activity, development of technical assistance, reinforced cooperation and participation with the Nordic Investment Bank (NIB) in the Financial Expert Group for BSS, and further participation in relevant Northern Dimension Fora. A similar territorial strategy may be launched by the Commission for the Danube region – an initiative that will be monitored closely by the EIB.

In addition, the EIB and the Commission bolster convergence through *advisory services, financial engineering and customised financial products*, especially in the new Member States. There are four specially conceived Cohesion Policy Joint Initiatives, the so-called “**4 Js**”, originating from partnerships established between the European Commission, the EIB/EIF and other international financial institutions. These 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 initiative (EIF, European Commission);
- **JASMINE** - Joint Action to Support Micro-Finance Institutions in Europe (EIF and European Commission).

The EIB is directly involved in JASPERS and JESSICA. The last two, JEREMIE and JASMINE, fall under the remit of its subsidiary, the European Investment Fund (EIF), as they concern venture capital funds/guarantees for SMEs and micro-finance respectively.

JASPERS is focused on helping the beneficiary countries to prepare sound infrastructure projects, particularly those involving the upgrading of transport networks, environmental improvement, and the enhancement of energy efficiency and use of renewable energy. It also covers the improvement of urban transport networks, as well as certain projects in other sectors eligible for EU assistance, such as health, R&D and urban redevelopment. Project preparation accelerated substantially in 2009. Some 130 assignments were completed, most of them in Poland, the Czech Republic and Romania. In total, JASPERS has completed 240 assignments since it started operations in late 2006. At the end of 2009, the joint initiative was providing assistance for 430 active assignments. The principal sectors in its portfolio are water and wastewater (23%), ports, airports, rail (20%), solid waste and energy (19%), roads (17%) and urban development (10%).



JESSICA is designed to help the authorities in EU regions covered by the 2007-2013 Structural Funds by exploiting financial engineering mechanisms to support investment in sustainable urban development more effectively. The JESSICA mechanism allows the use of resources from the Structural Funds as recyclable financing of revenue-generating urban projects through Urban Development Funds (UDF). UDF investments, which may take the form of equity, loans and/or guarantees, are delivered to projects included in integrated urban plans where municipalities, banks and private investors are encouraged to develop partnerships. By the end of 2009, the EIB had carried out close to 50 country- or region-specific JESSICA evaluation studies assessing the market for financial engineering instruments in support of sustainable urban development. In addition, 15 Memoranda of Understanding to implement JESSICA structures in cooperation with the EIB have been signed with the individual Member States of Bulgaria, Cyprus, Greece and Portugal and a number of regions. Eight Holding Fund agreements for an overall amount in excess of EUR 900m were concluded between the EIB and managing authorities. To facilitate further action in this area a JESSICA Networking Platform was launched by the Commission in March 2009, in cooperation with the EIB and the Council of Europe Development Bank, to exchange know-how and good practices about JESSICA and financial engineering instruments in the field of urban development.

Highlights in 2009 activity

Key projects in the convergence regions include:

Spain (which received 17% of the Bank's convergence financing): the upgrading (broadband) of the mobile and fixed telephony network in convergence regions attracted EUR 500m. EUR 300m went to hydro-energy production in convergence regions.

Poland (16%): EUR 1bn was provided for the new motorway which will link Swiecko and Nowy Tomysl in Western Poland, EUR 675m went to co-finance public scientific and university based research and EUR 565m went to the 84 km ring-road expressway around Warsaw.

Portugal (12%): EUR 525m was provided for drinking water and sewerage plants in various locations throughout the country. EUR 300m financed new road construction (particularly by-passes and missing links), widening, upgrading and rehabilitation of existing roads, representing a key component of the country's programme to improve the national road transport network.

Germany: EUR 400m went to Volkswagen AG to support the development in the eastern Länder of greener and more fuel efficient drive train components for passenger cars and utility vehicles.

Italy: EUR 500m went to Alenia Aeronautica SpA for the production and development of technologically innovative aeronautical components.

Greece: The EIB promoted the quality of life in Thessaloniki – the second largest city in Greece and a major business centre for the southern Balkans – with a EUR 250m loan for the city's metro system. This concludes the signature of an overall facility of EUR 650m, approved by the Bank in 2005. The overall Thessaloniki Metro project has been the centrepiece of the Greek State's strategy for providing an efficient and effective public transport system in metropolitan Thessaloniki, after the successful completion of the Athens network, also financed by the EIB. As a key European project, it has been supported by the Greek State, the European Union through EU grants and the EIB. This essential public service project represents one of the most important areas of EIB value added as its ability to provide long-term financing perfectly matches the long-term nature and requirements of the infrastructure provided.

Finland: With EUR 250m to Fortum Corporation, the EIB bolstered energy efficiency in Finland, Poland and Sweden. The loan is for the ongoing construction of two cogeneration plants located in Finland and Poland, as well as the implementation of digital remote metering infrastructure in Sweden. In addition to its cross-border cooperation aspect, the project is in line with the EU Action Plan for Energy Efficiency, which promotes the expansion of combined heat and power in Europe, and it supports climate change initiatives by promoting efficient generating technologies and the use of biomass for energy production. The introduction of digital metering is



expected to contribute to the development of a harmonised pan-Nordic electricity retail market and foster energy efficiency through automatic meter management standardisation.

Bulgaria: EUR 43.5m was provided for urban road transport in Sofia. This concerned a follow-up operation to improve the quality of life in the Bulgarian capital following a EUR 105m loan for the Sofia metro in 2008. It shows that the EIB, together with the country's authorities, place urban transport high on the agenda. Apart from improving transport possibilities and comfort, while reducing transport time, the project also has related environmental benefits.

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

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