



Preparing the Candidate and Potential Candidate Countries for accession: EIB most active lender in South-East Europe!

The EIB provides loans and guarantees in the Candidate Countries (Croatia, Turkey and the Former Yugoslav Republic of Macedonia – FYROM) and the Potential Candidate Countries (Albania, Bosnia and Herzegovina, Montenegro, Serbia and Kosovo). The basis for the Bank's activities is the EUR 8.7bn external lending mandate granted by the European Union for the period 2007-2013 and the Bank's own Pre-Accession Facility. Through its lending the Bank fosters the integration process with the EU in these countries, helping them to meet EU accession criteria and preparing them economically for EU membership. In 2009, the Bank's lending in these countries was equally motivated by helping them through the financial and economic crisis.

Recent developments

The European Commission, the European Investment Bank, the European Bank for Reconstruction and Development, and the Council of Europe Development Bank launched **the Western Balkans Investment Framework** (WBIF) in December 2009. The WBIF is a joint grant and loan facility to finance priority projects in the Western Balkans. The objective is to pool and coordinate different sources of finance and to leverage loans with grants for projects that have priority for the Western Balkan beneficiaries. The initial focus will be on infrastructure, including social infrastructure, but the range of activities is to be expanded to include i.a. support for SMEs and energy efficiency.

Energy efficiency is also the focus of the **South-East Europe Energy Efficiency Fund**, which was launched at the end of 2009 as well. The objective of the Fund, initially endowed with EUR 95m by the EIB, the European Commission and KfW is to support small-scale investments in energy efficiency and renewable energy in the Western Balkans and Turkey.

Country review

The EIB's lending in **Turkey** supports all productive economic sectors. The three pillars are: (i) the financing of infrastructure, both at the national level and in favour of local authorities, (ii) supporting SMEs through credit lines with a number of banking partners and (iii) the financing of the corporate sector, especially in favour of energy and renewables as well as foreign direct investment. The EIB is the leading international financing institution active in Turkey.

In 2009 new EIB lending in Turkey totalled EUR 2.6bn, which was of the same order as the all-time high of 2008. The high level of activity was mainly driven by the need to counter the world-wide financial crisis and its impact. In the last two years, the EIB has reacted fast to support the Turkish economy by increased lending – an additional volume of EUR 500m p.a. beyond the “normal” level of some EUR 2bn – and by strengthening especially the SME sector in the country.

The Bank's lending priorities in Turkey are the subject of regular dialogue with the Turkish Treasury. The EIB's local presence – its offices in Ankara and Istanbul – plays an important role in the Bank's lending achievements in Turkey.

In 2009, the Bank's activity in Turkey was weighted in favour of SMEs with EUR 1.5bn (57%). Energy and renewable energy benefited from a total of EUR 455m (17%). A loan for the wind farm project with Zorlu Rotor Elektrik in Osmaniye received the distinction of being nominated European Onshore Wind Project Finance



The bank of the European Union



Magazine Deal of the Year. The EIB also provided EUR 390m (15%) for industry and services, including a large facility for the financing of academic research and R&D in the main public universities in the country. Finally, for infrastructure lending amounted to EUR 293m (11%). Among the projects financed: further loans for the high-speed rail link connecting Istanbul and Ankara, which is a flagship project for the country.

Total EIB lending in the **Western Balkans**¹ reached close to EUR 1.7bn in 2009 – an unprecedented level of activity (total lending since 2005: EUR 4.3bn) which confirms that the EIB is the most active international lender in the region. This underpins the decision to open in 2010 a regional representation office in Belgrade.

In **Croatia**, the EIB signed loans amounting to EUR 419m in 2009. The EIB lending portfolio in Croatia is well diversified and covers the development of transport, energy and communication infrastructure, implementation of EU environmental standards and support for SME and municipal investments. The Bank lent EUR 60m to continue the rehabilitation of the Croatian national road network in order to implement the Croatian Programme for the Construction and Maintenance of Public Roads. It also granted three credit lines totalling EUR 350m to partner financing institutions to improve the access of SMEs to long-term financing. In the other Candidate Country in the Western Balkans, **FYROM**, the Bank provided EUR 100m for onlending to SMEs and lent EUR 3m for participation in the South-East Europe Energy Efficiency Fund (as it also did in other participating countries).

SME finance also was the main portion of the EUR 13m lent in **Albania** in 2009. The EIB opened its first credit line in the country with Tirana Bank. 70% of the EUR 10m loan targets SMEs, while the remainder will be used for infrastructure projects promoted by local authorities. Tirana Bank was established in 1996 and is majority owned by Piraeus Bank. Total EIB financing in **Bosnia and Herzegovina** amounted to EUR 153m in 2009 and was focused almost exclusively on SMEs and infrastructure projects. An innovative microfinance facility of EUR 10m was set up, benefiting projects undertaken by very small businesses in the sectors of agriculture, trade, and manufacturing and services. Further credit lines for EUR 140m were opened with three intermediary banks. EIB activity in **Montenegro** jumped to EUR 111m in 2009. A EUR 100m financing operation in the form of a Guarantee Agreement covering finance contracts with Montenegrin banks in favour of SMEs and infrastructure projects promoted by local authorities was the largest operation to date in the country. **Serbia** has been the main beneficiary of EIB funding in the Western Balkans since the Bank became active in the area again in 2001. The EUR 897m in loans in 2009 set a new record. A large chunk of the total went to the completion of trans-European networks – EUR 384m was for the construction of a new 75 km section of motorway on Pan-European Corridor X between Grabovnica and Levošoje. SME finance took up EUR 360m. A EUR 70m loan to the City of Belgrade for the construction of access roads to the new Sava Bridge was special in that it was the first direct EIB operation with a municipality in the region without a sovereign guarantee.

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¹ Albania, Bosnia-Herzegovina, Croatia, Former Yugoslav Republic of Macedonia, Kosovo (under United Nations Security Council Resolution 1244), Montenegro and Serbia.