



COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 10.01.1996
COM(95) 710 final

**REPORT FROM THE COMMISSION TO THE COUNCIL
AND THE EUROPEAN PARLIAMENT**

on the implementation of European Investment Bank loans for projects in central
and eastern European countries

(Poland, Hungary, the Czech Republic, the Slovak Republic, Romania, Bulgaria,
Latvia, Estonia, Lithuania and Albania)

(15.3.1993 - 31.12.1994)

LIST OF CONTENTS

1. **Introduction**
2. **Legal framework**
3. **Activities of the European Investment Bank in central and eastern Europe in the period from 15 March 1993 to 31 December 1994**
4. **The Bank's objectives and priorities**
5. **Cooperation with other institutions**

1. Overview

The present report on the activities of the European Investment Bank (EIB) in central and eastern European countries (Poland, Hungary, the Czech Republic, the Slovak Republic, Romania, Bulgaria, Estonia, Latvia, Lithuania and Albania) has been drawn up in accordance with Council Decisions 93/166/EEC of 15 March 1993 and 93/696/EC of 13 December 1993. It covers the Bank's activities in the countries listed above during the period from 15 March 1993 to 31 December 1994.

Pursuant to the above decisions, the EIB signed loan contracts for a total of ECU 921 million in 1993/94. The contracts were signed in nine countries, including for the first time Estonia, Latvia and Lithuania. Moreover, during the reference period, the Bank assessed a number of important projects in Albania the contracts for which were signed in 1995.

Financing concentrated on infrastructure essential for the economic development of these countries. Transport was the leading sector (ECU 356 million), followed by telecommunications (ECU 300 million) and energy (ECU 157 million). The remaining ECU 108 million were accounted for by projects in the industrial sector and by the construction of a sewage treatment plant.

At its meeting in Essen at the end of 1994, the European Council confirmed the approach followed by the EIB in granting loans in central and eastern Europe. Through the loan programme, the Bank supports the reform process in these countries and contributes to the preparations for the accession of all the European countries with which the Union has concluded cooperation agreements. As in the past, the Bank has continued to operate in central and eastern Europe in close cooperation with PHARE and with the other international institutions working in the region.

2. Legal framework

The legal and institutional framework of the mandate given to the EIB in central and eastern Europe is laid down in the following decisions and documents:

- **Council Decision 93/166/EEC of 15 March 1993** (OJ L 69 of 20 March 1993) granting a Community guarantee to the Bank against losses under loans for investment projects carried out in Estonia, Latvia and Lithuania. The guarantee covers in full any payments not received by the Bank but due under loans granted, in accordance with the usual criteria, in respect of investment projects carried out in the countries specified; it is restricted to an overall loan ceiling of ECU 200 million over a period of three years.
- **Decision by the EIB Board of Governors of 13 July 1993** authorizing the Bank to lend on the basis of the Council Decision of 15 March 1993.
- **Contract of guarantee signed by the Community and the EIB** on 4 and 17 November 1993.

- **Council Decision 93/696/EC of 13 December 1993** (OJ L 321 of 23 December 1993) granting a Community guarantee to the Bank against losses under loans for projects in central and eastern European countries. The guarantee, which covers in full any payments not received by the Bank but due under loans granted, in accordance with the usual criteria, in respect of investment projects carried out in the countries specified, is restricted to an overall loan ceiling of ECU 3 000 million over a period of three years, beginning on 23 December 1993. If, on expiry of the three-year period, the loans granted by the Bank have not attained the overall amount referred to above, that period is to be automatically extended by six months.

The loan guarantee ceiling includes the provisions laid down in respect of investments in Estonia, Latvia and Lithuania in Council Decision 93/166/EEC of 15 March 1993.

- **Decision by the EIB Board of Governors of 2 May 1994** authorizing the Bank to lend on the basis of the Council Decision of 13 December 1993.
- **Contract of guarantee signed by the Community and the EIB** on 22 July and 12 August 1994. This contract supersedes the guarantee contract relating to the Council Decision of 15 March 1993 mentioned above.

3. Activities of the EIB in central and eastern Europe in the period from 15 March 1993 to 31 December 1994

The EIB signed 20 loan contracts in central and eastern Europe during the above-mentioned period for an aggregate amount of **ECU 921 million**. The contracts were signed in nine countries, including for the first time Estonia, Latvia and Lithuania. Details of the loan contracts signed are given in Table 1 below, while Table 2 shows the breakdown by country and sector of loans signed.

During the reference period, most of the loan contracts signed concerned Poland (36.2%), followed by the Czech Republic (27.7%), Hungary (15.1%), Romania (7.2%) and Estonia (5.1%). Loan contracts signed with the Slovak Republic, Bulgaria, Lithuania and Latvia accounted for the rest.

Furthermore, during the reference period, the Bank assessed a number of important projects in Albania. They include, among others, the financing for the expansion of the existing ferry terminal and associated works in the port of Durrës and the financing of small and medium-scale projects in industry, related services and tourism. (Contracts concerning these two projects were signed in the course of 1995.)

Table 1. EIB loans signed pursuant to the Council Decisions of 15 March 1993 and 13 December 1993

COUNTRY	PROJECT	DESCRIPTION	LOAN amount (ECU m)
Poland	Highways	Upgrading to motorway standards of the A4 highway between Bielany and Nogawczyce	125
	Warsaw Sewage Treatment Plant	Construction of a new sewage treatment plant	45
	Telecommunications II	Expansion and modernization of the existing telecommunications network	150
	Export Development Bank Global Loan II	Financing of small and medium-scale industrial projects	13
Total			333
Czech Rep.	Berlin-Vienna Rail Corridor	First phase of the modernization of the Czech section of the Berlin-Prague-Vienna rail corridor	125
	Telecommunications I - B	Modernization and expansion of existing network	30
	Mero-lkl (D-CZ) Pipeline	Construction of an oil pipeline linking the trans-alpine oil pipeline to the Druzba oil pipeline, two hydrocarbon depots and a pumping station	100
Total			255
Hungary	Telecommunications II	Modernization and expansion of the existing telecommunications network	100
	Municipal Infrastructure Global Loan	Financing municipal infrastructure projects through OTP Bank	40
Total			140
Romania	Romgaz Rehabilitation and Modernization	Rehabilitation and modernization of gas production facilities and transmission management system	50
	Air Traffic Services - B	Modernization and upgrading of air traffic control facilities	16
Total			66
Estonia	District Heating Rehabilitation	Rehabilitation of the district heating system in Pärnu	7
	Port of Muuga Bulk Terminal	Construction of a dry bulk terminal at the deep-sea port of Muuga	15
	Upgrading Air Traffic Services	Upgrading of air traffic control facilities	20
	Estonian Investment Bank Global Loan(*)	Financing SMEs in industry, tourism and related services	5
Total			47
Slovak Rep.	Air Traffic Services	Modernization of air traffic control infrastructure	15
	Telecommunications I - B	Modernization and expansion of existing network	20
Total			35
Bulgaria	Air Traffic Services - B	Modernization and upgrading of air traffic control facilities	30
Total			30
Lithuania	Vilnius airport	Upgrading of Vilnius airport	10
Total			10
Latvia	Investment Bank of Latvia Global Loan(*)	Financing SMEs in industry, tourism and related services, and environmental protection and energy-saving projects	5
Total			5
Grand Total			921

(*) Signed on the basis of Council Decision 93/166/EEC.

The Bank's operations covered the following sectors:

- Transport was the leading sector, with eight projects in seven countries totalling ECU 356 million, or almost 39% of total EIB lending in the area. The motorway project in Poland and the upgrading of the Czech section of the Berlin-Prague-Vienna railway line with loans of ECU 125 million for each project dominated this sector. They were followed by air-traffic projects, such as the rehabilitation of air traffic control facilities in four countries and the modernization of Vilnius airport. Together, they accounted for ECU 91 million. The remaining ECU 15 million were provided for the construction of a sea terminal in Estonia.

Projects in telecommunications followed closely in importance, with four projects totalling ECU 300 million or 32.6% of total lending. They basically concerned the modernization and expansion of existing networks.

- Loans to energy projects amounted ECU 157 million or 17% of total lending. Of the three projects considered, the most important was the ECU 100 million loan for construction of an oil pipeline in the Czech Republic.

Table 2. Breakdown by country and sector of loans signed

Country	No. of loans	Total loan contracts signed (ECU m)	of which			
			Transport	Telecoms	Energy	Industry, other, mixed
Poland	4	333	37.5%	45.1%		17.4%
Czech Rep.	3	255	49.0%	11.8%	39.2%	
Hungary	2	140		71.4%		28.6%
Romania	2	66	24.2%		75.8%	
Estonia	4	47	74.5%		14.9%	10.6%
Slovak Rep.	2	35	42.9%	57.1%		
Bulgaria	1	30	100.0%			
Lithuania	1	10	100.0%			
Latvia	1	5				100.0%
Overall	20	921	38.7%	32.6%	17.0%	11.7%

- Projects in the industrial sector (ECU 63 million), where the main beneficiaries were small and medium-sized enterprises, and the construction of a sewage treatment plant in Poland for which ECU 45 million were provided accounted for the remaining 11.7% of total lending.

The conditions attaching to EIB loans in central and eastern Europe are the same as those for loans in the Community. In particular, the duration of loans is generally between 8 and 10 years for industrial projects and between 12 and 20 years for infrastructure projects. The interest rate charged by the Bank is the rate of borrowing from the market plus a small

margin to cover administrative expenses, while repayment is usually in six-monthly instalments following a grace period of 3 to 5 years according to the project characteristics.

4. The Bank's objectives and priorities

The Bank's activities in central and eastern Europe continue to be focused on the development of infrastructures (particularly in transport and telecommunications), industry and energy, together with global loan operations.

At its meeting in Essen at the end of 1994, the European Council confirmed this approach and called on the EIB to develop its loan operations, within the limits of the guarantee ceiling (ECU 3 000 million over an indicative three-year period), notably in the field of infrastructures in order to contribute to the preparations for the accession of all the European countries with which the Union has concluded cooperation agreements. The overall objective is to finance a balanced mix of projects in all countries and sectors.

The development of **trans-European networks** in the countries concerned and of links with intra-EU networks are particular priorities for the Bank. In this connection, the Bank has played an active part in defining priority transport corridors in central and eastern Europe and contributes to the work of the Christophersen Group. It has already financed several road and rail projects along the corridors and is appraising other such projects.

Environmental issues are also of concern. The Bank's contribution to the protection of the environment comes not only in the form of support for projects of a purely environmental nature, such as the construction of a new sewage plant in Poland, but also indirectly through a number of projects in all sectors, particularly in the energy sector, which include significant environmental protection components. In fact, all project appraisals include an environmental impact assessment and identification of possible problems as well as solutions. Projects financed by the Bank must comply with relevant legislation on protection of the environment and must take into account internationally set recommendations.

The Bank is currently examining many other possible projects with a view to signing contracts for the full amount of the overall loan ceiling of ECU 3 000 million.

5. Cooperation with other institutions

The Bank's activities in central and eastern Europe countries are conducted within the framework of the Community programme to help these countries progress towards market-oriented economies. They form part of a concerted approach that is being pursued in close cooperation with the Commission and with the international financing institutions working in the area.

The Bank cooperates closely with the Commission within the framework of the G-24 and the PHARE Programme, so as to ensure that the necessary studies and technical assistance are implemented in support of EIB projects. Furthermore, during the reference period, the Bank and PHARE co-financed a road project in Poland.

Of the international financial institutions, the EIB works closely with the World Bank and the EBRD. Together, they finance many of the projects that have been undertaken in the area, with a view to maximising the impact of their activities to the benefit of the countries concerned. During the reference period, the EIB co-financed with the World Bank projects in the energy sector in Estonia and Romania and in the telecommunications sector in the Czech and Slovak Republics and with the EBRD projects in the telecommunications sector in the Czech Republic.

ISSN 0254-1475

COM(95) 710 final

DOCUMENTS

EN

11

Catalogue number : CB-CO-95-759-EN-C

ISBN 92-77-98658-1

Office for Official Publications of the European Communities

L-2985 Luxembourg