



European  
Investment  
Bank



# Financing Infrastructure in CEE during the Global Financial Crisis

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# The European Investment Bank

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- The European Union's financing institution ...
  - Created by the Treaty of Rome in 1958, to provide long-term finance for projects implementing the EU's policies
  - Subscribed capital: EUR 232.4bn as of 1.4.2009
  - EIB shareholders: 27 Member States of the European Union
  - 2008: Lending EUR 57.6bn
    - Borrowing from the Capital Markets EUR 59.5 bn
  - Priority Lending Activities
    - ❖ Environment + Energy
    - ❖ R&D Knowledge Economy
    - ❖ Trans-European Networks for Transport and Energy (TEN)
    - ❖ Small and Medium-sized Enterprises (SMEs)
    - ❖ Economic and Social Convergence of Member States



# EIB Lending in the EU in 2008 (EUR m)



 EU country  
 EFTA country  
 (Iceland, Liechtenstein, Norway and Switzerland)



EIB Loans to CEE Member States in 2008 : EUR 6,542 m



# The Crisis and CEE Infrastructure Funding

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## Crisis Impact on CEE Economies and Funding Conditions

- negative economic growth in most countries since 2008
- collapse of tax revenues and restrictive fiscal policies as part of rescue packages
- unavailability of commercial bank LMT financing, in particular for PPPs
- unavailability of trade financing, performance bonds etc
- sharp widening of risk margins in an environment of total risk adversity

## Particular observations in CEE infrastructure financing

- main infrastructure projects in CEE will continue to benefit from EU funds as main source of financing
- effective absorption of these is a main challenge given implementation capacity weaknesses
- likely fiscal cutbacks in response to economic downturn will impact available sources for infrastructure spending.
- banking market capacity for project financing is sharply declining due to market weakness and sovereign ratings declines

## IFI Response to this scenario

- ❑ enhanced role of International Financing Institutions
- ❑ EIB is stepping up its lending in CEE and “convergence” areas



# EIB Contribution to the European Economy Recovery Programme

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- ❖ EIB to maintain rigorous focus on priority lending areas and funding of viable investments in a sustainable environment
- ❖ Additional financing of investment of EUR 15 bn p.a above pre-crisis trend scenario
  - 2009 : EUR 66.4 bn
  - 2010 : EUR 67.7 bn
- ❖ Additional lending of EUR 15 bn p.a. in 2009 and 2010 to focus on :
  - energy, carbon capture, infrastructure, clean transport : EUR 6.0 bn
  - small and medium sized companies : 3.5 bn
  - convergence areas : EUR 2.5 bn
  - “flexibility reserve” : EUR 3.0 bn



# EIB Special Effort in CEE

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## CEE Member States

- Total loans of EUR 11.4bn 2004-2008
- Loans of EUR 6.2 bn in 2008
- Lending target for 2009 : EUR 11.5 bn
- Priorities : economic and social cohesion

## Candidate and Potential Candidate Countries

- Total loans of EUR 11.4bn 2004-2008
- Loans of EUR 3.5bn in 2008 (Transport, Energy, Infrastructure, SMEs)
- EIB can lend up to EUR 8.7bn during 2007-2013
- Priorities:
  - Projects supporting accession agreements with EU
  - Incorporation and implementation of *acquis communautaire*

## Russia and Eastern Neighbours

- Total loans of EUR 460m 2004-2008
- EIB can lend up to EUR 3.7bn during 2007-2013
- Priorities :
  - Transport, energy and telecommunications infrastructure on priority TEN axes where there are cross-border implications for a Member State



# Case Study Poland Road Sector

		<b>Poland National Road Budget</b>			
EUR bn		2006	2007	2008	2009
<b>GDP</b>		324.2	356.8	376.4	296.3
<b>Road Sector Investments</b>		2.4	3.1	6.4	6.7
<b>% of GDP</b>		0.74	0.87	1.69	2.26
<b>Funding (EUR m)</b>					
<b>EU</b>		354	301	910	921
<b>National Road Fund</b>		1632	1454	1051	545
<b>Excise tax</b>		428	703	856	1653
<b>EU integration reserve</b>		5	481	2355	1974
<b>Other revenues</b>		414	359	1319	1903
		<b>2833</b>	<b>3298</b>	<b>6491</b>	<b>6996</b>

- Poland has consistently expanded national road programme
- Funding sources greater than works programme
- Core issue is project preparation and absorption capacity
- EIB to support Polish road sector in 2009 in excess of EUR 3 bn



## EU/EIB Cofinancing in CEE

- Total EU Structural and Cohesion Fund financing for economic and social infrastructure in CEE in 2007-2013 : EUR 176.6 bn
- EIB co-financing to cover national contributions (to date) : EUR 4.8 bn

Country	2007-13 Investments (m EUR)	2007-13 EU Grants ( m EUR)	EIB Loans (m EUR)
Estonia	4,300	3,400	550
Latvia	5,800	4,000	750
Lithuania	9,600	6,900	1,132
Romania	11,700	9,400	1,000
Bulgaria	7,600	5,700	700
Hungary	3,900	3,300	450
Czech Republic	2,028	462	228
TOTAL	44,928	33,162	4,810

- EIB financing in advance of project implementation to bridge-finance also EU grants paid in arrears





# 2020 European Fund for Energy, Climate Change and Infrastructure

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- Requested by the European Council in December 2008
- Equity fund for EU institutional investors
- Fund size : EUR 1 – 1.5 bn
- Makes equity investments in the areas of energy and climate change abatement; TEN transport and other transport infrastructure (in all 27 member states)
- Investments to focus on sectors and projects with high economic rate of return
  - ✓ YES : electricity and gas interconnectors; LNG terminals and gas storage; renewable energy
  - NO : telecommunication; social infrastructure (housing, schools)
- To start in 2009



# The European PPP Expertise Center (EPEC)

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- A collaborative venture between the EIB and European Commission
- Membership open to PPP taskforces in Member States and candidate countries
- Allows members to share experience and expertise
- Staffed by experienced transactors capable of synthesising experience and disseminating guidance
- 25 organisations already signed up
  
- EPEC-Three types of activities
  - Collaborative network activities
    - Sharing information
    - Synthesising experience
    - Develop best practice
  - Helpdesk
  - Direct policy and programme support



# Joint Assistance to Support Projects in European Regions (JASPERS)



- A Technical Support Facility, managed by the EIB, and co-sponsored by the Commission, EIB and EBRD
- Helping to absorb EU Structural and Cohesion Funds to finance required investments in areas in need of regional development
- Assistance available for:
  - Trans-European networks (TENs)
  - The transport sector outside of TENs, including rail, river and sea transport
  - Inter-modal transport systems and their interoperability
  - Management of road and air traffic
  - Clean urban and public transport
  - The environment, including energy efficiency and renewable energy
  - Private public partnerships
- Assistance provided free of charge by the Commission and the EIB



# CONCLUSIONS

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- ✓ Lending to the infrastructure sector in CEE one of the EIB's top priorities
- ✓ EIB to expand its lending programme by EUR 15 bn p.a
- ✓ Additional activity to focus on investments in sustainable growth and cohesion of European regions
- ✓ Enhanced cooperation with CEE Member States to provide EIB co-financing for EU Structural and Cohesion Funds
- ✓ Keeping the PPP idea alive in difficult times
- ✓ Proactive involvement in upstream project preparation to accelerate implementation and flow of funds (JASPERS)



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