



The European Investment Bank in the **Baltic Sea Region**

The EIB supports the Baltic Sea Region's long tradition of cross-border cooperation by financing long-term projects involving transport, energy, the environment, research, development and innovation (RDI), climate action and SMEs.



What the EIB can do for the Baltic Sea Region

The Baltic Sea Region is home to almost 100 million people, and eight EU Member States and the Russian Federation share its 8 000 km-long coastline.

The region has a long tradition of cross-border cooperation even though each country has its own priorities and characteristics, economic imperatives and political concerns. To address the overall sustainability of the region the European Commission, the European Parliament, the Member States and relevant stakeholders have taken a more comprehensive approach. This involves tackling environmental problems but also adopting a common macroregional strategy for the whole Baltic Sea Region, the first of its kind in the EU's history.

The European Commission's overall objectives for the EU Strategy for the Baltic Sea Region are:

- **to save the sea;**
- **to connect the region; and**
- **to increase prosperity.**

Each objective is accompanied by indicators and targets.

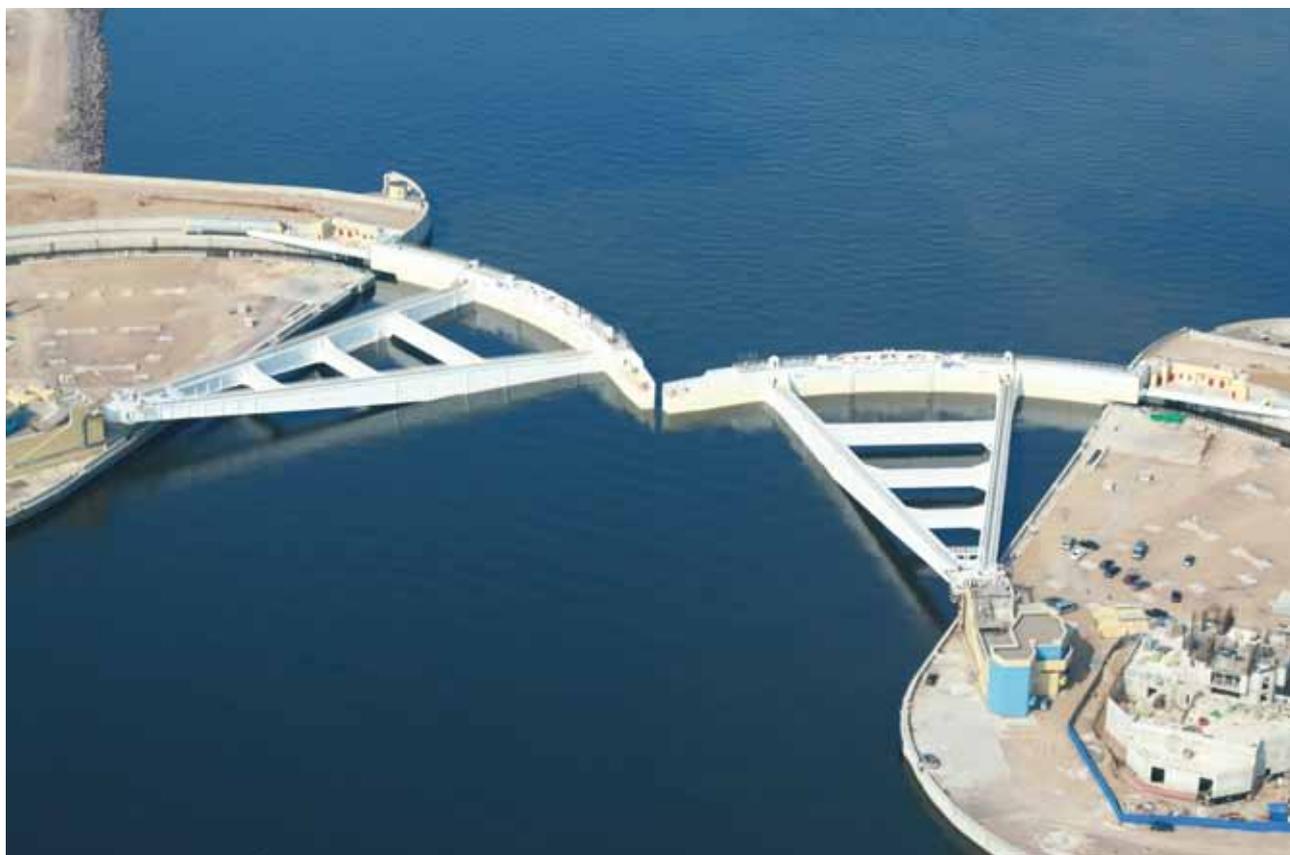
As the bank of the EU, the EIB has a special responsibility to contribute to the success of this strategy.

To save the sea, we finance wastewater treatment plants in places classified by the Helsinki Commission as hot spots or sources of massive pollution. Within the framework of the Northern Dimension Environmental Partnership (NDEP), the Bank has co-financed several high-priority projects to clean up pollution in the St Petersburg region.

To connect the region, we finance infrastructure to integrate parts of the Nordic-Baltic area into a larger Baltic Sea Region. EIB loans have supported the construction or improvement of bridges, tunnels, port facilities and railway links. Improved and safer energy production and energy transmission lines have also been high on the agenda.

To increase prosperity, we support a large number of research, development and innovation (RDI) projects. In some countries, RDI has become one of the most important sectors for EIB financing.

Our firm intention – while contributing to the implementation of the EU strategy for the region – is to remain the single most active multilateral financing institution in the area and one of the leading lenders for flagship projects.



Construction of flood barrier in St. Petersburg region.



EIB lending activities in the Baltic Sea Region

- EU Member States
- Russian Federation
- EFTA countries
- Baltic Sea Region

The Baltic Sea Region mainly covers the countries that lie wholly or partially within the catchment area of the Baltic Sea. The region includes the EU Member States of Denmark, Estonia, Finland, Latvia, Lithuania, Poland and Sweden. The part of Germany included in the Baltic Sea Region comprises the five Bundesländer of Schleswig-Holstein, Hamburg, Mecklenburg-Western Pomerania, Brandenburg and Berlin. The two EFTA countries, Norway and Iceland, are members of the Council of the Baltic Sea States and have traditionally been included in the region, although only small parts of eastern Norway are within the catchment area itself. The north-western part of the Russian Federation is also included in the Baltic Sea Region, although geographically the furthestmost northern parts are outside the catchment area. Karelia and the Kola Peninsula are closely involved in Baltic Sea cooperation with their western neighbours through the Northern Dimension Policy and various partnerships under the Northern Dimension initiative. The EIB is engaged in lending activity in all the countries covered by the EU Strategy for the Baltic Sea Region.



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The EU Strategy for the Baltic Sea Region

The EU Strategy for the Baltic Sea Region (EUSBSR, adopted by the European Council in 2009) is designed to coordinate action by Member States, regions, the EU, pan-Baltic organisations, financing institutions and non-governmental bodies to promote more balanced development. It fosters more intensive cooperation between the countries around the Baltic Sea and aims to shape the region into a macroregional cooperation model that will serve as a template for other areas of the EU. This is the case for the EU Strategy for the Danube Region (EUSDR), adopted in April 2011,

and the EU Strategy for the Adriatic Ionian Region (EUSAIR), expected to be adopted by the end of 2014. Additional strategies could follow, such as an EU strategy for the Alpine regions.

The implementation of the Strategy for the Baltic Sea Region is financed mainly by various EU funds, the Member States and loans from international financing institutions. It includes an action plan that defines the main areas in which the EU Strategy for the Baltic Sea Region can contribute to improvements.

With regard to the marine environment and measures **to save the sea**, particular

attention is to be paid to the impact of excess nutrients in the Baltic Sea, which lead to eutrophication¹ and algal blooms. There is also damage to the ecological balance due to overfishing, land-based pollution, rising sea temperatures, the presence of hazardous substances and other pressures.

The main economic challenges are to overcome the wide disparities and realise the huge potential in research and productive innovation and to remove impediments to building a single market.

Priority issues for increasing accessibility and **connecting the region** are to improve

¹ Eutrophication is an increase in the concentration of the nutrients nitrogen and phosphorus in an ecosystem to an extent that raises the primary productivity of the ecosystem. This may lead to oxygen depletion and subsequent negative environmental effects, such as a severe reduction in water quality, fish stocks and other aquatic animal populations.



The European Investment Bank

The EIB is one of the world's largest multilateral financing institutions. As the bank of the European Union, we use our special expertise and resources to make a difference to the future of Europe and its partners by supporting sound investments underpinning EU policy objectives. Set up in 1958 under the Treaty of Rome establishing the European Community, we operate as a bank and raise the majority of our resources on the capital markets on favourable terms, which we pass on to our borrowers. Our shareholders are the Member States of the European Union. We are financially autonomous and do not come under the EU budget.

We lend primarily to projects in the EU Member States.

Outside the Union, we contribute to the implementation of EU development aid and cooperation policies under specific regional mandates covering EU Candidate and Potential Candidate Countries in the Enlargement Region; Mediterranean countries, Russia and the Eastern Neighbours; African, Caribbean and Pacific (ACP) countries, and the Republic of South Africa; and Asia and Latin America.

networks, end the energy isolation of parts of the region and ensure sustainable transport modes.

Finally, to **enhance prosperity** it is important to increase resources for research and innovation and promote smart specialisation in the region. There is a need to provide further support for small and medium-sized enterprises (SMEs), while complying with state aid rules, by broadening access to finance, improving regulation and helping SMEs to adapt to globalisation. Greater emphasis will also have to be placed on the wider development of environmental and low-carbon technologies, areas in which the region is strong.



EIB financing in the Baltic Sea Region

In 2013 the EIB lent EUR 11.9bn for projects in the region. The aggregate lending volume over the past five years amounts to EUR 51.5bn, an 8% increase over the 2008-2012 period (EUR 47.5bn).

Preparation of EIB structural programme lending in the 2014-2020 programming period has started. It is expected that Estonia, Latvia and Lithuania will have new Structural Programme Loan facilities in place in 2014 for co-financing with EU Structural and Investment Funds. Similar preparation work has started in Poland.

| EIB lending in the region, 2009-2013 (EUR m) | | | | | |
|--|-----------------|-----------------|----------------|----------------|-----------------|
| Signatures | 2009 | 2010 | 2011 | 2012 | 2013 |
| EU | | | | | |
| Denmark | 421.7 | 387.0 | 155.0 | 224.2 | 649.6 |
| Estonia | 841.5 | 75.0 | 183.0 | 122.4 | 148.6 |
| Finland | 1 145.0 | 1 000.8 | 1 403.2 | 544.2 | 919.2 |
| Germany ¹ | 1 615.0 | 1 249.0 | 745.6 | 967.7 | 1 494.8 |
| Latvia | 285.0 | 100.0 | 36.0 | 100.0 | 35.0 |
| Lithuania | 1 169.0 | 71.0 | 10.5 | 3.2 | 232.0 |
| Poland | 4 778.9 | 5 565.3 | 5 279.1 | 4 440.4 | 5 698.6 |
| Sweden | 1 135.0 | 2 607.8 | 707.6 | 1 131.6 | 1 571.5 |
| EFTA | | | | | |
| Iceland | 170.0 | 0.0 | 70.0 | 0.0 | 0 |
| Norway | 0.0 | 50.0 | 100.0 | 204.2 | 100.0 |
| Eastern Europe | | | | | |
| Russia | 132.5 | 250.0 | 100.0 | 0.0 | 1 046.7 |
| Total | 11 699.9 | 11 356.3 | 8 790.0 | 7 737.8 | 11 896.0 |

¹ In the German Bundesländer included in the Baltic Sea Region (Berlin, Brandenburg, Hamburg, Mecklenburg-Western Pomerania and Schleswig-Holstein).

EIB co-financing with EU Structural Funds in the Baltic Sea Region

In the 2007-2013 programming period the key objectives of the European Fund for Regional Development (ERDF), the European Social Fund (ESF) and the Cohesion Fund have been to contribute to convergence, regional competitiveness and employment and regional cooperation in the EU. Convergence means promoting growth-enhancing conditions and factors for the least developed Member States and regions.

In the Baltic Sea Region, areas eligible for such support are Estonia, Latvia, Lithuania, Poland and two German Bundesländer (Mecklenburg-Western Pomerania and the northeast part of Brandenburg). Over the period these areas have had access to over

EUR 80bn in grants from the EU Structural Funds, of which EUR 67bn for Poland alone.

Such grants normally have to be coupled with Member State contributions. The EIB can cofinance the Member State contribution with EU Structural Funds. It has provided such loans to each of the three Baltic States to finance their respective Operational Programmes. In Poland, the EIB has co-financed Sectoral Operational Programmes as well as Regional Operational Programmes.

As the EIB on average finances some 13% of the total project cost, its financing has supported a total investment of over EUR 44bn in the region, a major contribution to growth and employment.

Outside the convergence regions, the regional competitiveness and employment

objective aims to strengthen competitiveness, attract investment and boost employment. Development programmes help regions to anticipate and encourage economic change through innovation and promote the knowledge society, entrepreneurship, environmental protection and improved accessibility. More and better jobs are being supported by adapting the workforce and by investing in human resources.

The EIB also provides finance to SMEs through credit lines extended to local financial intermediaries. The EIB funds are on-lent to eligible SMEs to help cover their capital expenditure and working capital requirements. Intermediaries have to match the EIB's contribution, in fact doubling the financing available for SMEs.



Construction of an offshore wind farm at Horns Rev, off the west coast of Jutland, Denmark.
© Elsam S.A

EU Funds co-financing in the Baltic Sea Region and EIB support (in EUR m)

| 2007-2013 programming period | | | EIB loans | | |
|------------------------------|--|---------------|--------------|--------------|-----------------------------|
| Country | Name of operation | Project cost | Approved | Signed | Share of total project cost |
| | Approved programmes | | | | |
| Estonia | EU Funds Co-Financing 2007-2013 (EST) | 4 331 | 550 | 550 | 13% |
| Latvia | EU Funds Co-Financing 2007-2013 (LV) | 5 834 | 750 | 750 | 13% |
| Lithuania | EU Funds Co-Financing 2007-2013 (LT) | 9 564 | 1 132 | 1 132 | 12% |
| Poland | EU Funds Co-Financing 2007-2013 (PL) | 20 855 | 2 130 | 2 000 | 10% |
| Poland | Mazovia Regional Infrastructure* | 400 | 180 | 176 | 45% |
| Poland | Poznan Municipal Infrastructure* | 209 | 81 | 81 | 39% |
| Poland | Poznan Municipal Infrastructure III* | 333 | 145 | 145 | 44% |
| Poland | Gdansk Municipal Infrastructure II* | 368 | 145 | 145 | 39% |
| Poland | Kraków Urban Infrastructure* | 214 | 96 | 29 | 45% |
| Poland | Lodz Regional Infrastructure* | 323 | 106 | 106 | 33% |
| Poland | Lodz Municipal Roads* | 240 | 71 | 70 | 30% |
| Poland | Lublin Municipal Infrastructure* | 386 | 126 | 126 | 33% |
| Poland | Malopolska Regional Infrastructure* | 318 | 38 | 38 | 12% |
| Poland | Rzeszow Municipal Infrastructure* | 231 | 69 | 69 | 30% |
| Poland | Szczecin Municipal Infrastructure III* | 185 | 75 | 75 | 41% |
| Poland | Szczecin Municipal Infrastructure IV* | 126 | 58 | 58 | 46% |
| Poland | Toruń Municipal Infrastructure* | 189 | 67 | 19 | 35% |
| Poland | Zachodniopomorske Regional Framework* | 284 | 84 | 84 | 30% |
| | Total approved projects | 44 390 | 5 903 | 5 653 | 13% |

* Partly co-financed with the Structural Funds' regional and municipal investment framework operation.



The European Investment Fund and the Baltic Sea Region

The EIF is the EIB Group's specialist provider of risk finance for SMEs across Europe. It designs and develops venture capital and guarantee instruments which specifically target this segment of the market. The EIF fosters EU objectives in support of innovation, research and development, entrepreneurship, growth and employment. It is owned by the EIB, the European Commission and a wide range of public and private banks and financial institutions.



*Pihlajalinna, Finland
Investment in Sentica Buyout Fund III & IV*

The EIB in the Northern Dimension Area

The Northern Dimension (Russia, Norway, Iceland and the EU) provides the basis of external regional cooperation for the EU Strategy for the Baltic Sea Region.

The Northern Dimension Policy covers the Arctic and South Arctic areas, the Baltic and Barents Seas, including the countries in those areas. There are several partnerships within the Northern Dimension to promote dialogue and concrete cooperation to foster economic integration, competitiveness and sustainable development in Northern Europe. The EIB is actively participating in the Environmental Partnership (NDEP) and Partnership for Transport and Logistics (NDPTL).

The NDEP is a partnership between the European Commission, the Russian Federation, the EIB, the Nordic Investment Bank (NIB), the Nordic Environment Finance

Corporation, the European Bank for Reconstruction and Development (EBRD) and the World Bank. It is supported by 11 donor governments. It aims to address environmental pollution and nuclear safety risks in the Northern Dimension Area by financing projects in North-West Russia, Kaliningrad and, more recently, Belarus (eligibility for EIB lending subject to EU approval). Through the positive environmental cross-border effects, the NDEP is also helping to clean up the Baltic Sea.

EIB partnerships in the Baltic Sea Region

In the region, the EIB partners with Member States, the European Commission, other EU, international and bilateral financial institutions, the Helsinki Commission (HELCOM), the Council of Baltic Sea States (CBSS) and a number of non-governmental organisations (NGOs). Some of these

parties have also established their own forums for reinforcing cooperation in certain areas or sectors.

Within the NDEP the EIB contributes to translating environmental policy into action on the ground.

The cooperation with the European Commission and the Nordic Investment Bank has been reinforced by the adoption of the EU Strategy for the Baltic Sea Region. It is facilitated through the EIB's Helsinki office, located in the NIB's headquarters and responsible for lending in Estonia, Latvia and Lithuania. The two banks cooperate on a number of projects in the region and are closely coordinating the financing related to the implementation of the Baltic Sea Strategy, by working together in the Financial Experts Group. This group advises and informs project promoters and the public sector on the financing possibilities for the projects to be implemented under the strategy.



Part-financing of the expansion of Hellisheidi Geothermal Power Plant in the south-west of Iceland.
© Orkuveita Reykjavíkur

EIB products and instruments

The EIB can offer a variety of financial products. The most frequently used are loans, framework loans and credit lines.

- Loans are provided for viable and sound projects and programmes normally costing more than EUR 25m.
- Framework loans are loans to a single borrower used to finance a programme or series of investment projects in a single sector or number of sectors.
- Credit lines are made available to banks and financial institutions to assist them in providing finance to SMEs with eligible investment programmes or for small infrastructure schemes.

A number of special initiatives are of particular relevance in the context of the Baltic Sea Strategy. These are the JASPERS (Joint Assistance to Support Projects in European Regions) programme, the JESSICA (Joint European Support for Sustainable Investment in City Areas) initiative, the JEREMIE (Joint European Resources for Micro to Medium Enterprises) initiative, and the activities of EPEC (the European PPP Expertise Centre), ELENA (European Local ENergy Assistance), NER300, and the RSFF (the Risk Sharing Finance Facility).

- The European Investment Fund (EIF), the risk-financing arm of the EIB Group, is active in the Baltic Sea Region, providing equity instruments, guarantees and financial engineering products for SMEs.





JASPERS supported the construction of Torun Road Bridge in Poland, which was opened to traffic on 9 December 2013.

JASPERS

JASPERS is a technical assistance partnership between the European Commission (DG Regional Policy), the EIB, the EBRD and KfW Bankengruppe (KfW). It supported the implementation of cohesion policy in the programming period 2007-2013 by providing the twelve countries that joined the EU between 2004 and 2007² with specialist expertise to prepare projects for submission for grant financing from the Structural and Cohesion Funds. Some EUR 354bn was available in grants for the budgetary period 2007-2013. For the new programming period 2014-2020 some EUR 367bn will be available for regions in the context of Cohesion Policy. JASPERS is active in the three Baltic States and Poland.

ELENA

ELENA helps local and regional authorities to prepare energy efficiency or renewable energy projects by providing funds for technical assistance. This joint EIB-European Commission initiative is part of the EIB's broader effort to support the EU's climate and energy policy objectives.

JESSICA

JESSICA is a joint initiative of the EIB, the European Commission and the Council of Europe Development Bank (CEB) to use 2007-2013 Structural Funds allocations as loans, guarantees or equity rather than grants for urban development projects. With JESSICA the EIB has two roles. It assists Member States and national authorities upon request to assess the potential for loans, guarantees and equity dedicated to urban development and to prepare the framework for implementation. And it acts as the JESSICA Holding Fund, to channel Structural Funds into Urban Development Funds (UDFs) on behalf of national authorities to support urban projects.

JEREMIE

JEREMIE is a partnership between the EIF and the European Commission. It offers Member States the opportunity, through their national or regional Managing Authorities, to use part of their EU Structural Funds allocations to finance micro to medium-sized enterprises via equity, loans or guarantees.

EPEC

EPEC is an EIB and European Commission initiative to strengthen the organisational capacity of the public sector to engage in public-private partnership (PPP) transactions. Public authorities in Denmark, Finland, Latvia, Lithuania, Poland and Germany are EPEC members. They actively support EPEC's activities and focus on PPP investment planning and project preparation (combining EU funds and PPPs), the accounting and statistical treatment of PPPs, and the creation of PPPs for trans-European networks and energy efficiency.

² Bulgaria, Czech Republic, Cyprus, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Romania, Slovakia and Slovenia.

RSFF

RSFF is an investment-based facility established by the Commission and the EIB that brings additional financing capacity to support RDI activities with a higher risk profile. RSFF has contributed to 12 projects in the Baltic Sea Region.



© Stockholm County Council
Photograph Jan Danielsson, Marcus Kurn

Developing Stockholm metro

The EIB granted a SEK 3.5bn (about EUR 400m) loan for the development of the Red metro line in Stockholm. Modern trains will be purchased and the existing signalling system will be replaced with communications-based train control. In addition, a new underground depot in Norsborg will be constructed and the existing Nyboda depot upgraded for the servicing of the new rolling stock. The Red metro line development project will not only improve the level of service, but also cater for the future increase in demand from Stockholm's growing population.

Promoting urban infrastructure in Tallinn

The EIB is helping to finance the upgrading of Tallinn's infrastructure with a EUR 67m loan. The project concerns the rehabilitation of the city's infrastructure, particularly roads, transport, public open spaces, education and sport facilities, social and health facilities, social housing and cultural heritage sites. High-quality urban road infrastructure will underpin the long-term economic and social development of Tallinn by reducing generalised transport costs.



© Kadarik, Tüür, Arhitektid



© Latvenergo

Energy-efficient power plant in Latvia

Inaugurated in December 2013, the new combined heat and power unit built by Latvian energy company Latvenergo was supported by an EIB loan. It replaces the old inefficient generating units and has increased the plant's capacity to protect Latvia from a possible electricity supply shortfall, reduce the dependence on imported energy and improve the security of supply in Latvia.



© Haldor Topsøe

Supporting RDI investment in Denmark

The EIB is supporting the RDI activities of Danish company Haldor Topsøe over the period 2013-2016 with a DKK 560m (EUR 75m) loan. Investments focus on developing catalysts and new catalytic technologies for different industry sectors, such as refineries and chemicals, to increase the energy efficiency of industrial manufacturing processes. Environmental applications targeting the reduction of pollutant emissions from automotive and various industrial activities (refineries, power plants, etc.) have also been developed. Up to 85 additional RDI jobs are expected to be created, a 30% increase in the company's RDI workforce.



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Supporting RDI for marine engines and power plants, in Finland

The EIB is supporting the RDI activities of Wärtsilä in Finland, Italy, Switzerland and several other European countries. This involves the development of cleaner, more efficient and more reliable engines and power plants.



© Hoegh LNG

Securing the energy supply in Lithuania

The EIB is supporting the construction and operation of a new LNG import facility located in the port of Klaipeda, Lithuania. The terminal comprises a floating storage and regasification vessel, an offshore jetty including gas handling facilities and an 18 km pipeline connection to the Lithuanian gas grid. The project is scheduled to be completed by the end of 2014.



© PKP IC/Bartłomiej Banaszak

Modernising railways in Poland

The EIB is helping Polish railway operator PKP Intercity to renew and expand its existing fleet by 2015. This includes the acquisition of 20 new trains, 10 diesel mainline locomotives and 25 passenger coaches as well as the modernisation of 218 passenger coaches and 20 diesel shunting locomotives. The new and modernised rolling stock will run at faster speeds, reduce journey times and improve safety and comfort as well as providing easier access, particularly for people with reduced mobility.



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