



2021

EIB GROUP ACTIVITIES IN EU COHESION REGIONS



EIF



European
Investment
Bank

The EIB bank

2021

EIB GROUP ACTIVITIES IN EU COHESION REGIONS

EIB Group activities in EU cohesion regions in 2021

© European Investment Bank, 2022.

98-100, boulevard Konrad Adenauer

L-2950 Luxembourg

+352 4379-1

info@eib.org

www.eib.org

twitter.com/eib

facebook.com/europeaninvestmentbank

youtube.com/eibtheeubank

All rights reserved.

All questions on rights and licensing should be addressed to publications@eib.org

This report has been written with the active assistance of many individuals across the EIB Group. Our cordial thanks go to all of them for their support.

Our investments support sustainability everywhere, including in biodiversity. One million species are in danger of extinction, and pollinators are in severe decline. That's a moral challenge to humanity, but it's also an economic problem. Crop pollination contributes the equivalent of €150 billion every year; ecosystems contribute as much as €140 trillion to the world economy annually. The pollinators are small, but their contribution to our lives is huge. That's why we're putting them right on the covers of our major reports this year.

The EIB Group wishes to thank the following promoters and suppliers for the photographs illustrating this report.

©Photo credits: EIB, Prešovský samosprávny kraj, 2021, Solaria Energía y Medio Ambiente, S.A, DR, EnduroSat, Hector le Collector, SPW Carpentier Jean-Louis, ENEL, GettyImages, Shutterstock. All rights reserved.

Authorisation to reproduce or use these photos must be requested directly from the copyright holder.

For further information on the EIB's activities, please consult our website, www.eib.org

You can also contact info@eib.org. Get our e-newsletter at www.eib.org/sign-up

Published by the European Investment Bank.

Disclaimer

To accommodate scheduling limitations, this publication has not undergone standard EIB proofreading.

Printed on FSC® paper.

The EIB uses paper certified by the Forest Stewardship Council (FSC). Because it's made by people who like trees.

FSC promotes environmentally sound, socially beneficial, and economically viable management of the world's forests. We all know reading is good for you. It's good for the planet, too — as long as you read on the right paper.

print: QH-07-22-651-EN-C ISBN 978-92-861-5370-9 doi:10.2867/34842

pdf: QH-07-22-651-EN-N ISBN 978-92-861-5369-3 doi:10.2867/773

eBook: QH-07-22-651-EN-E ISBN 978-92-861-5368-6 doi:10.2867/94173

CONTENTS

V FOREWORD BY LILYANA PAVLOVA

EUROPEAN INVESTMENT BANK VICE-PRESIDENT

VII FOREWORD BY ELISA FERREIRA

EUROPEAN COMMISSIONER FOR COHESION AND REFORMS

1 INTRODUCTION

3 THE ROLE OF COHESION SUPPORT IN MITIGATING THE ECONOMIC IMPACT OF THE PANDEMIC

9 EIB GROUP ACTIVITY IN COHESION REGIONS IN 2021

9 KEY FIGURES

10 EIB COHESION LENDING BY PUBLIC POLICY GOAL

13 EIB LENDING IN COHESION REGIONS BY COUNTRY

17 IMPACT OF EIB LENDING IN COHESION REGIONS

17 CONTRIBUTION TO THE UNITED NATIONS' SUSTAINABLE DEVELOPMENT GOALS (SDGs)

17 SECTOR-SPECIFIC PROJECT RESULTS AND CASE STUDIES

20 INFORMATION AND COMMUNICATIONS TECHNOLOGIES

22 RESEARCH, DEVELOPMENT AND INNOVATION (RDI)

24 EDUCATION

26 HEALTH

28 REGIONAL AND URBAN DEVELOPMENT

30 TRANSPORT

32 ENERGY

34 WATER, WASTEWATER AND SOLID WASTE

36 SME AND MID-CAP FINANCE

40 EIF ACTIVITY IN COHESION REGIONS IN 2021

44 THE MACROECONOMIC IMPACT OF EIB LENDING TO COHESION REGIONS

48 SUPPORTING CLIMATE ACTION AND ENVIRONMENTAL SUSTAINABILITY IN COHESION REGIONS

49 THE RELATIONSHIP BETWEEN COHESION LENDING AND THE EIB'S CLIMATE AND ENVIRONMENT TARGET UNDER THE CLIMATE BANK ROADMAP

54 CLIMATE ACTION AND ENVIRONMENTAL SUSTAINABILITY IN THE EIB'S COHESION LENDING DURING THE 2021-2027 EU LONG-TERM BUDGET

54 EU COHESION POLICY

54 JUST TRANSITION MECHANISM

55 THE MODERNISATION FUND

57 GREEN TRANSITION AND ADVISORY SUPPORT IN COHESION AREAS

59 SUPPORT THROUGH BILATERAL FINANCIAL INSTRUMENTS

FOREWORD BY LILYANA PAVLOVA

European Investment Bank Vice-President

In the face of global challenges like climate change, rapid technological development, pandemic viruses and Russia's war in Ukraine, Europe's greatest strength is its unity. But this unity cannot be taken for granted. To preserve and strengthen it, the European Union must continue to invest in its cohesion.

Promoting cohesion has been a core mission of the European Investment Bank (EIB) since its foundation in 1958. Over the course of the European Union's last long-term budget, between 2014 and 2020, the EIB Group supported investments worth around €630 billion, equivalent to about 16% of the Union's gross domestic product, in less developed, so-called cohesion regions. The impact and long-term benefits of these investments go even further. As you will see in this report, by 2040 the investments supported over this period are expected to raise EU gross domestic product (GDP) by an estimated 4.7% above the baseline scenario and lead to the creation of an additional 3.2 million jobs.

With our new, bigger, bolder and more focused approach to cohesion, adopted in October 2021, we aim to do even more over the current long-term budget (2021-2027), while at the same time ensuring that half of all our lending goes towards climate action. Thus, in response to all the challenges facing the European Union and its Member States, the EU bank is increasing both its lending and advisory support for cohesion regions.

This report looks at the long-term economic challenges that cohesion regions face, as well as the ongoing impact of shocks such as the coronavirus pandemic and the war in Ukraine. It also provides an in-depth look at the activities undertaken by the EIB Group in 2021 to raise income levels and tackle other disparities.

The results are presented in terms of policy objectives, activity sectors, countries, contribution to the United Nations' Sustainable Development Goals (SDGs), and sector-specific project results. The report also features case studies that offer a glimpse into the breadth of the EIB Group's activities and their positive effects on real communities and businesses.

What emerges is a picture of real progress, coloured by challenges both persistent and new. While income inequality across the European Union has declined significantly over the last two decades as regions in Eastern Europe have caught up, other regions in Southern Europe have experienced stagnation or decline since the global financial crisis. More recently, the pandemic has been particularly hard on Europe's poorer regions.

The war in Ukraine, which has sent millions of refugees fleeing to the Central and Eastern Member States of the European Union, is expected to hurt vulnerable households most, through its effect on growth as well as on food, energy and fuel prices.

The mobilisation of additional cohesion funding has played a valuable role in helping to contain the economic fallout from the pandemic. It will also be a powerful tool for tackling the immediate fallout from the Ukraine crisis and the longer-term implications of the changing geopolitical situation, especially the accelerated decarbonisation of the EU economy.

The EIB's new approach, which combines and reinforces its commitment to both the European Union's cohesion and its climate goals, will maximise our ability to support EU policy priorities and live up to our purpose as the EU bank.

FOREWORD BY ELISA FERREIRA

European Commissioner for Cohesion and Reforms

This first European Investment Bank Group Cohesion Report arrives at a testing time for Europe's union and cohesion. When the COVID pandemic hit, no one was fully prepared for the deep crisis that unfolded. Nevertheless, the European Union acted with determination, mobilising the EU budget for emergency support, jointly procuring and distributing vaccines, ensuring that borders remained open and proposing the recovery plan for the European Union, the NextGenerationEU instrument. This helped cushion the economic and social damage and kick-start the recovery. Now, however, we face a potentially more damaging challenge, with the spectre of war on the European continent. The Russian invasion of Ukraine threatens our security, challenges our values and compels us to remain united and stand by Ukraine and each other.

Cohesion policy has always been the cement of the European Union and the most visible expression of European solidarity and interdependence. Time and again, cohesion policy has played a central role both as the long-term engine of European convergence and an immediate instrument in times of crisis. Cohesion policy was a first responder during the pandemic, through the Coronavirus Response Investment Initiative (CRII) and REACT-EU. Now, to help Member States welcome refugees fleeing the conflict in Ukraine, we are rolling out Cohesion Action for Refugees in Europe (CARE).

Cohesion policy is also at the forefront in the green and digital transitions, with ever more of its resources focused on these objectives. The twin transitions hold the potential to create new jobs, foster innovation and generate growth. However, not all regions have the same starting point — market forces by themselves do not guarantee that every region will have its fair share of growth. We must ensure that all territories and people can benefit from this transformation. Cohesion policy provides the framework for territorial-based development plans prepared in partnership with regional and local governments and stakeholders.

We know from experience that crises and technological change have a very asymmetrical impact and tend to aggravate regional disparities. So, it is imperative that the funds made available by the resolute European response are used in a way that reinforces economic, social and territorial cohesion. This is a challenge of historic proportions. We must ensure that the recovery is a reality for all European regions, building on their different competitive advantages and delivering sustainable long-term growth, leaving no one behind.

To rise to the challenge, we need the very best design for national and regional strategies. The thematic focus of the EIB Group Cohesion Report provides very useful contributions on how we can best support our regions and promote cohesion. Its analyses and findings complement the Commission's 8th Cohesion Report: Cohesion in Europe towards 2050¹, which evidences that the poorest regions continue to catch up, while some regions closer to the middle are falling behind, stuck in a development trap. These factors, coupled with challenges such as technological developments and changing demographics, will require a concerted effort by all involved in overcoming the existing bottlenecks, from infrastructure to institutions.

1. COM(2022)34 final, 4.2.2022

This is why I warmly welcome the highlights the EIB report provides for cooperation between our institutions. Supporting cohesion has been a key goal of the EIB Group since its creation. The EIB Group's action has been substantial, by financing projects in less developed or transition regions, by providing technical assistance and advisory support, and by carrying out fund management activities. Such support and focus need to remain at the core of the EIB's future action. The recent EIB Cohesion Orientation paper for 2021-2027 and increased lending targets for less developed regions are encouraging — as are the European Investment Fund (EIF)'s horizontal pillar for cohesion and dedicated spending target.

As the EU climate bank, we also welcome EIB expertise in financing climate investment, as well as its commitment to climate action and environmental lending in transition and in less developed regions. This provides room for increased synergies with EU funds in the context of the European Green Deal, such as the Just Transition Mechanism.

Cohesion is a core European value, an enabler of the recovery and of the twin transition and a leveller to guarantee that we keep moving forward together. I welcome the EIB Group's support for these shared objectives and I look forward to continuing our joint work for a cohesive and strong Union.

INTRODUCTION

EU Cohesion Policy aims to ensure economic, social and territorial cohesion between the different regions of the European Union, to bring about a convergence of living standards and prosperity. By tackling regional disparities, the policy contributes to the harmonious development of the Union and reduces the risk of fragmentation. In addition to regional differences in GDP, the policy seeks to redress other inequalities such as differences in opportunities or varying exposures to the negative impacts of globalisation and climate risks. Cohesion was one of the original reasons behind the foundation of the European Investment Bank in 1958, and remains one of its core priorities.

The EIB Group, which includes the European Investment Bank and the small and medium-sized enterprise (SME)-focused European Investment Fund, provides loans and other financial instruments² that complement and leverage EU grants to support cohesion projects, which seek to address social inequalities by providing employment and educational opportunities, access to public infrastructure and services, and a healthy and sustainable environment. The Bank also advises public authorities and project promoters in cohesion regions on how to improve the technical and financial quality of their projects, adopt successful investment strategies, strengthen their institutional capacity and attract funding, notably from the private sector. Between 2014 and 2020, the EIB Group's financing in EU cohesion regions supported a total investment volume of close to €630 billion. This is a sizeable investment volume, which in total would make up some 16% of GDP in the cohesion regions³.

EU Cohesion Policy for the 2021-2027 programming period devotes special attention to all regions where economic development is below the EU average. EIB cohesion priority regions for the period are defined by the new EU Cohesion Policy map and fall into two categories:

1. **Less developed regions** — GDP per inhabitant less than 75% of the EU average.
2. **Transition regions** — GDP per inhabitant between 75% and 100% of the EU average.

All the EIB Group's financing of projects located in the two categories of regions described above count towards the Group's cohesion lending. This report analyses the EIB Group's activity in Europe's cohesion regions in 2021. As this is the first annual report on cohesion, it aims to provide a comprehensive view of how the Group supports the European Union's cohesion policy by discussing the Group's activity in cohesion regions from various angles and referencing back to the Bank's recent Cohesion Orientation⁴. More concise annual updates on the Group's cohesion activity are to be expected in the coming years, potentially focusing on specific aspects of the Group's activity in these regions.

The report starts with a review of the economic and social challenges facing cohesion regions, followed by a presentation of the Group's activity in these regions in 2021. The EIB's activity is presented in terms of policy objectives, activity sectors, countries, contribution to the United Nations' Sustainable Development Goals and sector-specific project results. A number of case studies are used to illustrate the Group's activities and impact in various countries and activity sectors targeting a broad range of policy objectives. The wider macroeconomic impact of the Group in cohesion regions in the last Multiannual Financial Framework is then discussed. Finally, the role of climate investment in cohesion is presented along with the range of tools deployed by the Group to support the greening of cohesion regions.

2. Referred to as "lending" throughout the body of the report.

3. As estimated internally, using the 2021 definitions of less developed and transition regions: <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32021D1130&from=EN>

4. European Investment Bank Cohesion Orientation 2021-2027 (eib.org)



THE ROLE OF COHESION SUPPORT IN MITIGATING THE ECONOMIC IMPACT OF THE PANDEMIC

Support for economic, social and geographical cohesion has been an integral part of the European Union from the very start. EU integration has created opportunities for many people and has driven economic convergence. Cohesion policy has helped reduce disparities between regions and communities, and improve regional development, including in the most disadvantaged regions.

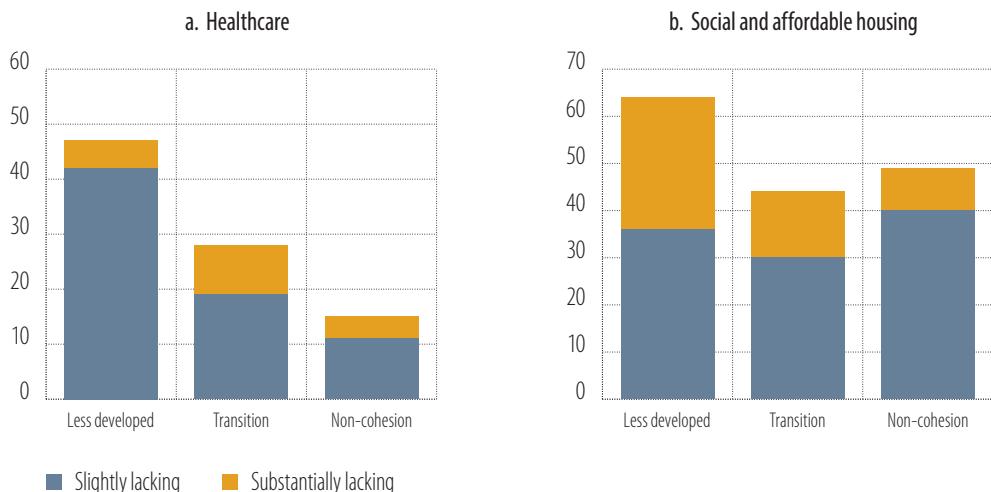
Cohesion in Europe has improved, but gaps remain. Less developed regions in the east of the European Union have caught up impressively in terms of GDP per capita over the last two decades, narrowing the gap with wealthier regions. Nevertheless, despite the progress, divergences in terms of income and living conditions persist across the European Union ([European Commission 2022](#), [EIB 2022](#)). Globalisation and digitalisation have fuelled prosperity in some regions, but less so in others, and the pace of regional convergence has slowed since the global financial crisis. Many regions in Southern Europe have struggled to recover from the 2007/2008 global financial crisis and have experienced economic stagnation or decline.

Skill endowments remain unevenly distributed across regions, with some gaps widening. Skills have become increasingly concentrated in more developed regions, particularly around capital cities. Although there has been progress overall in terms of tertiary education, skill gaps across EU regions have widened, particularly between urban and rural areas. Less developed regions lag not only in terms of tertiary education but also in terms of digital skills and lifelong learning.

The COVID-19 crisis has highlighted pre-existing gaps, notably for social and connectivity infrastructure, and exacerbated some inequalities. Regions with better digital infrastructure and stronger human capital endowments have proven to be more resilient during the pandemic ([EIB 2022](#)). At the same time, the pandemic has exposed gaps in digital connectivity, healthcare and other social infrastructure across the European Union. These deficiencies, which predate the pandemic and which are most noticeable in the poorest regions (Figure 1), have left these regions less able to weather the shock from the pandemic. Mortality rates have been higher in less developed regions and among poorer people ([European Commission 2022](#), [WZB Berlin Social Science Centre 2021](#)). As some sectors, such as tourism, were hit especially hard by the pandemic, regions such as Southern Europe which rely heavily on tourism have been particularly affected ([European Commission 2022](#), [EIB 2022](#)). More vulnerable groups in the labour market, young people and workers with lower levels of education have borne the brunt of the burden.

At the same time, strong policy action has helped contain the economic fallout from the pandemic and mitigate the social costs of the health crisis. Policy support, including through the mobilisation of additional cohesion funding and allowing higher co-financing, played a central role in mitigating the immediate adverse economic impact of the pandemic. As part of a wide-ranging response, the European Commission launched the Recovery and Resilience Facility (RRF), a €723.8 billion programme of grants and loans to mitigate the economic and social impact of the coronavirus pandemic and make European economies and societies more sustainable, resilient and better prepared for the challenges and opportunities of the green and digital transitions. More than half of all firms in the European Union have benefited from some form of financial support during the pandemic, either from the European Union or their national governments. This has enabled many to maintain investment plans, adapt to the shock and keep workers on the payroll ([EIB 2022](#)).

FIGURE 1: MUNICIPAL INVESTMENT GAPS IN SOCIAL INFRASTRUCTURE
(% OF MUNICIPALITIES REPORTING GAPS)

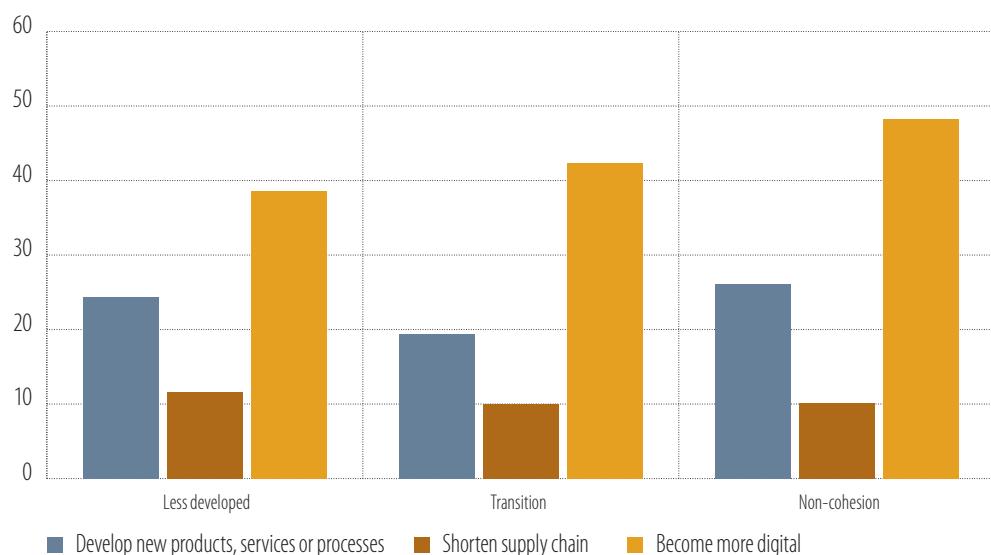


Source: EIB Municipalities Survey 2020

Q. For each of the following would you say that the quality of infrastructure is satisfactory, slightly lacking or substantially lacking?

Firms across the European Union have reacted to the pandemic through innovation and digitalisation, but this transformation is moving at different speeds. Firms in richer regions have tended to respond to the shock of the pandemic by innovating. Similarly, almost half of all firms in richer regions have reacted by becoming more digital, compared to fewer than 40% in the poorest regions (Figure 2). In countries with many cohesion regions, a smaller percentage of corporates report having innovated in response to the pandemic. These firms also report that their lack of innovation is now affecting their competitiveness (EIB 2022).

FIGURE 2: FIRMS' SHORT-TERM RESPONSES TO THE PANDEMIC
(% OF FIRMS)



Source: EIB Investment Survey 2021. Basis: All firms (excluding don't know/refused responses).

Q. And as a response to the COVID-19 pandemic, have you taken any actions or made investments to...?

The new shock emanating from the war in Ukraine adds to the risks for cohesion. On top of the humanitarian crisis, the economic shock due to the war is expected to slow growth, accelerate inflation and could severely set back the emerging economic recovery in the European Union. The rise in food and energy prices that are a consequence of the war and related sanctions will have a greater impact on more vulnerable households, the group that has also suffered the most from the pandemic. Firms already in a fragile position following the pandemic are poorly positioned to withstand a second major shock. Cohesion regions in Central and Eastern EU Member States bordering Ukraine are also dealing with a humanitarian crisis, as they seek to provide shelter to millions of refugees.

To counter the short-term effects and limit the risks of rising inequalities, an increase in cohesion support to deal with immediate challenges is needed. In the short term, flexible use of cohesion policy funding could play a crucial role in supporting efforts to deal with the humanitarian crisis, enabling Member States and regions at the frontline of the crisis to provide help. This includes immediate support such as temporary accommodation, medical care, counselling and other services. In the medium term, if the crisis endures, cohesion policy could help displaced people to continue their education or access training, find jobs and acquire the skills they need.

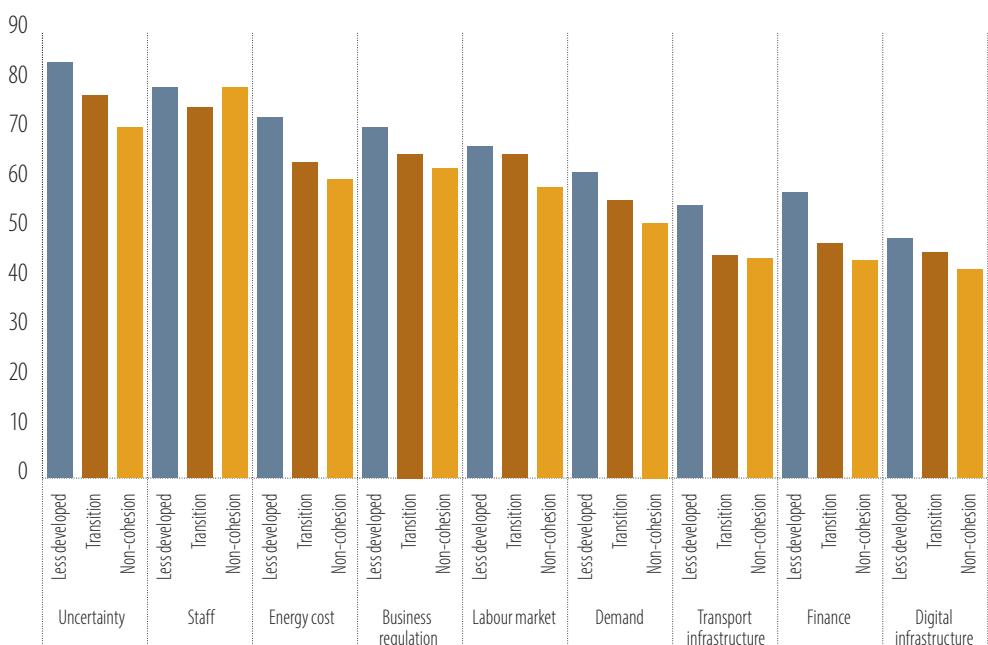
Tackling the longer-term implications of the shock and the geopolitical shifts linked to it will require accelerated transformation across the European Union. While the pandemic provided a push for digitalisation, the new shock from the war in Ukraine provides an additional impetus for Europe to shift its energy supply mix and strengthen energy security by investing in renewables and the decarbonisation of its power sector⁵. Moreover, it may lead to major reconfigurations in trade and supply chains. How successfully firms can reposition themselves in this new environment will be crucial for cohesion in the years ahead.

Rising energy costs have become a problem for many firms across the European Union, but particularly in cohesion regions. For many, high energy costs already posed problems prior to the war and the recent rise in energy prices (Figure 3). Yet fewer firms in cohesion regions have taken action to improve energy efficiency. Smaller firms in particular, of which there are more in cohesion regions, have so far been less likely to undertake energy efficiency measures ([EIB 2021](#)). Similarly, on the public side, municipalities in cohesion regions report higher investment gaps for climate adaptation and mitigation, including for energy efficiency.

5. [Decarbonization Is Now a Strategic Imperative by Josep Borrell & Werner Hoyer - Project Syndicate \(project-syndicate.org\)](#)

FIGURE 3: INVESTMENT OBSTACLES FOR FIRMS

(IN % OF FIRMS)



Source: EIB Investment Survey 2021. Basis: All firms (excluding don't know/refused responses).

Q. Thinking about your investment activities, to what extent is each of the following an obstacle? Is it a major obstacle, a minor obstacle or not an obstacle at all?

Tackling investment gaps to improve energy efficiency is crucial for cohesion regions to adapt to deepening challenges. Postponing investments for energy efficiency and renewable energy would result in increased vulnerability. Cohesion regions could also lose opportunities, for example in terms of generating new jobs linked to renewable energy investments. What is more, when firms invest in improving the energy efficiency of production processes, it increases their resilience to future price shocks and brings added benefits in terms of environmental sustainability. Modernising public infrastructure, such as transport equipment or buildings, can help to raise efficiency and reduce the high levels of pollution in many less developed regions, making them more attractive and improving the quality of life. Therefore, protecting investments in the green transition could not only have consequences for economic growth and resilience, but also for people's well-being.

Realising opportunities for transformation requires public and private investment. Greater difficulties in accessing financing is one reason why firms in cohesion regions have engaged less in transformative investments (EIB 2021, EIB 2022). On the public side, poorer and highly indebted regions are in a weaker position to respond forcefully to the new shock by increasing investment. For many municipalities, weak finances and a lack of funding are major obstacles to infrastructure investment. Financing constraints are at risk of worsening due to higher interest rates and more sluggish growth due to the fallout from the war and related uncertainty, particularly for firms and municipalities that already encounter more difficulties to access funds. Against this background, EU policy instruments such as Cohesion Policy Funds and support through the Recovery and Resilience Facility can play a crucial role to stabilise investment.

Lagging public investment has resulted in persistent infrastructure gaps in cohesion regions that adds to the more challenging business environment faced by firms (Figure 3).

To break free from these loops, public authorities, particularly in the least developed regions, need to improve their administrative capacity to undertake transformative investments so that they can take full advantage of EU cohesion funds and grants from the Recovery and Resilience Facility.

Closing infrastructure gaps in a climate-friendly way can help regions to transform, but it needs to be coupled with policies to improve the business environment. Investment in infrastructure has driven convergence over the last two decades but persistent gaps, including for basic and social infrastructure, need to be addressed. However, these investments need to be accompanied by measures to create a favourable environment for companies to grow and help workers to find employment opportunities.

For convergence to continue, cohesion policy needs to support regions' responsiveness, transformative capacities and the key drivers of long-term growth. A green and digital transition is needed to support the European Union's future growth and competitiveness. This will require firms to change their production processes and entails significant changes in the structure of the economy. Managing shocks and accelerating shifts will require dedicated support from policy instruments to mitigate the risk of people and regions being left behind. Improving the ability of cohesion regions to innovate, adapt and transform is vital to support their continued convergence and to mitigate the risk of development traps. Closing innovation gaps will not only require investment in research and development, but will also involve tackling weaknesses in regional innovation ecosystems, identifying regional potential and strengthening investment in the adoption of new technologies. Lastly, support for cohesion needs to focus on closing skill gaps. Strengthening skills offers multiple benefits in terms of increasing resilience to shocks, benefiting firms and individuals, facilitating transformative investment and unlocking the opportunities of change on a broad basis to support convergence in the years ahead.



EIB GROUP ACTIVITY IN COHESION REGIONS IN 2021

KEY FIGURES

In October 2021, the EIB adopted a new Cohesion Orientation⁶, setting out how it plans to expand and modernise its investment in cohesion regions over the period of the European Union's current long-term budget, 2021-2027. Given the widened geographical scope⁷ of the European Union's cohesion policy, the Bank increased its ambition for cohesion lending, with an orientation of 40% of its total EU lending to be located in cohesion regions, aiming to reach 45% by 2025, using reasonable endeavours, and a key performance indicator (KPI) of 20% of total EU lending to be located in less developed regions, rising to 23% by 2025.

TABLE 1: EIB GROUP SIGNATURES IN COHESION REGIONS 2021

	Total signatures in EU (€bn)	Signatures in cohesion regions (€bn)	Signatures in cohesion regions (% of total EU lending)
EIB lending ⁸	47.8	19.8	41.5%
EIF commitments ⁹	30.4	16.8	55.1%
Group total	78.3	36.6	46.8%

In 2021, the EIB Group provided €36.6 billion to projects in EIB cohesion regions. For the EIB, this represented 41.5% of its 2021 EU lending, well above the weight of cohesion regions in economy-wide fixed investment in the European Union (33%). This lending volume supported projects worth €47.3 billion in cohesion regions. EIB lending in all EU regions supported projects with a total investment cost of €120 billion in 2021.

Concerning the EIF, a new KPI measuring the economic and social cohesion focus of its activity has been agreed and will be implemented as from 2022. This indicator will measure the amounts committed to cohesion regions compared to the overall volume of the EIF's activity. For 2022, this orientation was set ex-ante at 38%.

6. European Investment Bank Cohesion Orientation 2021-2027 (eib.org)

7. The 2014-2020 cohesion policy defined transition regions as those with GDP per inhabitant between 75% and 90% of the EU average, instead of between 75% and 100%, as is currently the case.

8. EIB figures exclude lending under the European Guarantee Fund (EGF). The €24.4 billion fund was set up by the EIB Group with contributions from 22 EU Member States and was designed to support EU businesses facing difficulties due to the economic downturn but that would have been strong enough to access finance in the absence of the COVID-19 crisis, with a focus on SMEs and mid-caps. In 2021, EIB lending under the EGF amounted to €10 billion, of which 22% in cohesion areas. As an extraordinary crisis measure, the activities undertaken by the EIB under the EGF were considered "over and above" the Bank's core business and targets set for its policy goals as presented in its Operational Plan.

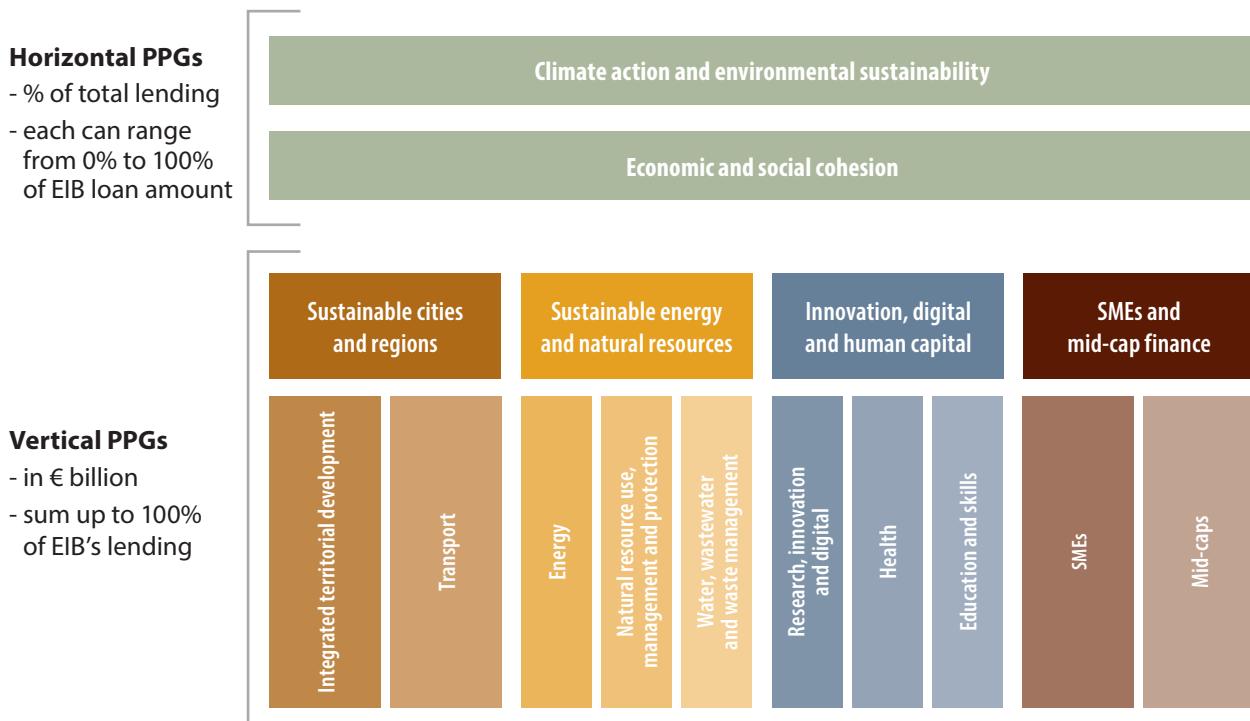
9. Including activity under the European Guarantee Fund, as per the EIF's Operational Plan.

EIB COHESION LENDING BY PUBLIC POLICY GOAL

Lending in cohesion regions covers a wide spectrum of economic activities, which are reflected in the EIB's public policy goal (PPG) framework. The framework reflects the Bank's lending priorities, and ensures that these are aligned with the political priorities set by the European Union. The framework also enables the Bank to balance its support for the different policy goals and provides a clear framework for communication and reporting on its lending.

The current framework, as presented in the Operational Plan 2021¹⁰, relies on four vertical public policy goals: sustainable cities and regions; sustainable energy and natural resources; innovation, digital and human capital; and SMEs and mid-cap finance. In addition, two horizontal objectives are embedded in the framework: economic and social cohesion; and climate action and environmental sustainability (CA&ES).

FIGURE 4: EIB PUBLIC POLICY GOALS (PPGs)



The charts below present the breakdown of the EIB's EU lending in 2021 by public policy goal/sector for the Bank's overall lending in the European Union (Figure 5) and lending in cohesion regions (Figure 6)¹¹:

10. [The EIB Group Operational Plan 2021](#)

11. An operation's contribution to each of the Bank's public policy goals (including cohesion and climate action and environmental sustainability) is established at the level of the overall project to be financed. For this analysis, in the case of projects falling only partially under the Bank's cohesion objective, it is assumed that the project's cohesion component shows the same relative contribution to each of the other public policy goals as the overall project.

FIGURE 5: TOTAL EIB LENDING IN THE EUROPEAN UNION IN 2021 BY PUBLIC POLICY GOAL/SECTOR

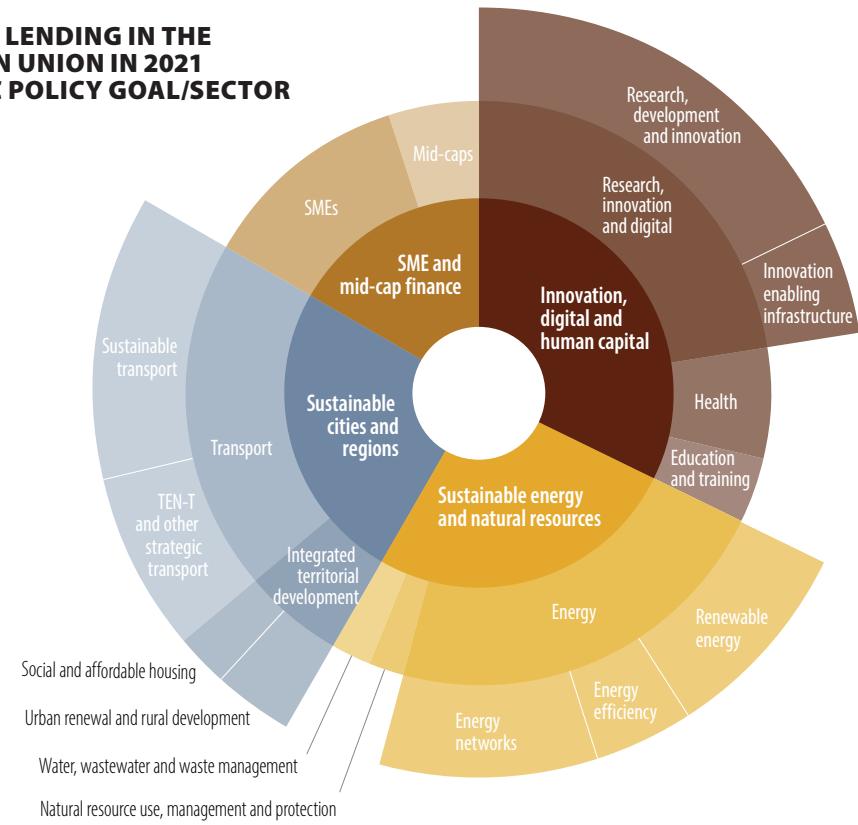
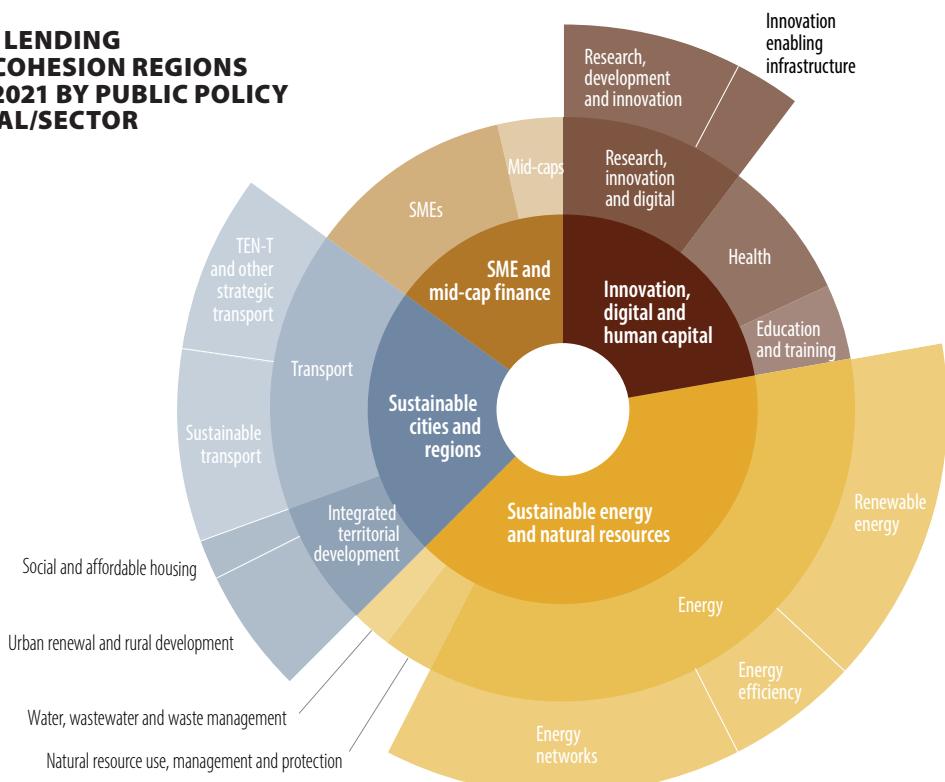


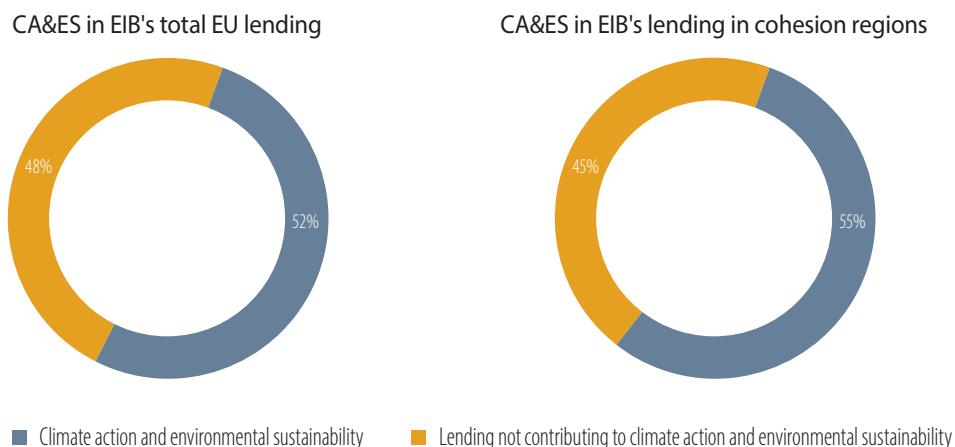
FIGURE 6: EIB LENDING IN COHESION REGIONS IN 2021 BY PUBLIC POLICY GOAL/SECTOR



As illustrated by the 2021 business mix captured in the charts above, the EIB's lending activity in cohesion regions may differ slightly from its overall lending in the European Union:

- Lending under the **sustainable energy and natural resources** policy goal was significantly higher in cohesion regions compared to the European Union as a whole (40% compared to 26%). This is due to a higher contribution of lending to the *energy* policy objective¹² (35% in cohesion regions compared to 22% overall), attributable to a significant concentration of large sustainable energy projects (renewable energy, energy efficiency programmes and electricity networks) in cohesion regions in 2021.
- Lower lending in cohesion regions under the **innovation, digital and human capital** goal (22%) compared to overall EU lending (32%) is explained by the smaller proportion of *research, innovation and digital* lending in these regions (10% vs. 22%). Within this category, the weight of private sector R&D lending is traditionally lower in cohesion regions than elsewhere. By contrast, the weight of public sector R&D is higher, highlighting the relative weakness of the private sector in cohesion regions and their greater reliance on the public sector.
- Slightly lower lending under the **sustainable cities and regions** policy goal (23% in cohesion regions compared to 25% for the European Union as a whole) is due to lending under the *transport* policy objective, which represented 16% of the Bank's lending in cohesion regions compared to 20% of the EIB's total lending in the European Union.
- The share of lending under the **SME/mid-cap finance** policy goal was only slightly lower in cohesion regions compared to the European Union as a whole (15% vs. 17%).
- 55% of the EIB's lending in cohesion regions contributes to the **climate action and environmental sustainability horizontal** policy goal, compared to 52% of the Bank's overall EU lending.

FIGURE 7: CLIMATE ACTION AND ENVIRONMENTAL SUSTAINABILITY LENDING IN THE EU AND IN COHESION REGIONS IN 2021



However, these aggregated statistics conceal significant variations between countries, as illustrated in the next section.

12. For more information on the EIB's energy lending, please refer to the [EIB energy lending policy: Supporting the energy transformation](#).

EIB LENDING IN COHESION REGIONS BY COUNTRY

EIB cohesion action for 2021-2027 will focus on the European Union's 145 cohesion regions, of which 67 are transition regions and 78 less developed regions. The less developed regions are mostly located in Central and Eastern Europe, which tend to be low-income regions, as well as in Portugal, Greece and the southern parts of Italy and Spain, which have long suffered from low growth. Many of the transition regions are former wealthier industrial regions struggling to cope with globalisation and technological change. They can be found across the European Union, including in Member States such as France, the Netherlands and Finland.

Less developed and transition regions tend to have different investment needs. While the former need basic infrastructure and investment in knowledge to move to the technological frontier, the latter are generally well-endowed with transport, energy and digital infrastructure and skills but need to complete a structural transformation to establish new economic sectors.



Figure 8 below shows the EIB's total EU lending for 2021 by country, split between cohesion and non-cohesion regions. France, Italy and Spain were the three countries with the highest EIB lending volume overall, each of them receiving more than €7 billion. In terms of lending to cohesion regions, however, Poland obtained the most (€4.5 billion), followed by cohesion regions in France (€3.3 billion) and Spain (€2.7 billion). Relative to the size of their economies, Greece, Czechia and Romania also benefited from high cohesion lending volumes at €1.6 billion, €0.9 billion and €0.8 billion, respectively.

FIGURE 8: TOTAL EIB LENDING IN EU COHESION AND NON-COHESION REGIONS IN 2021

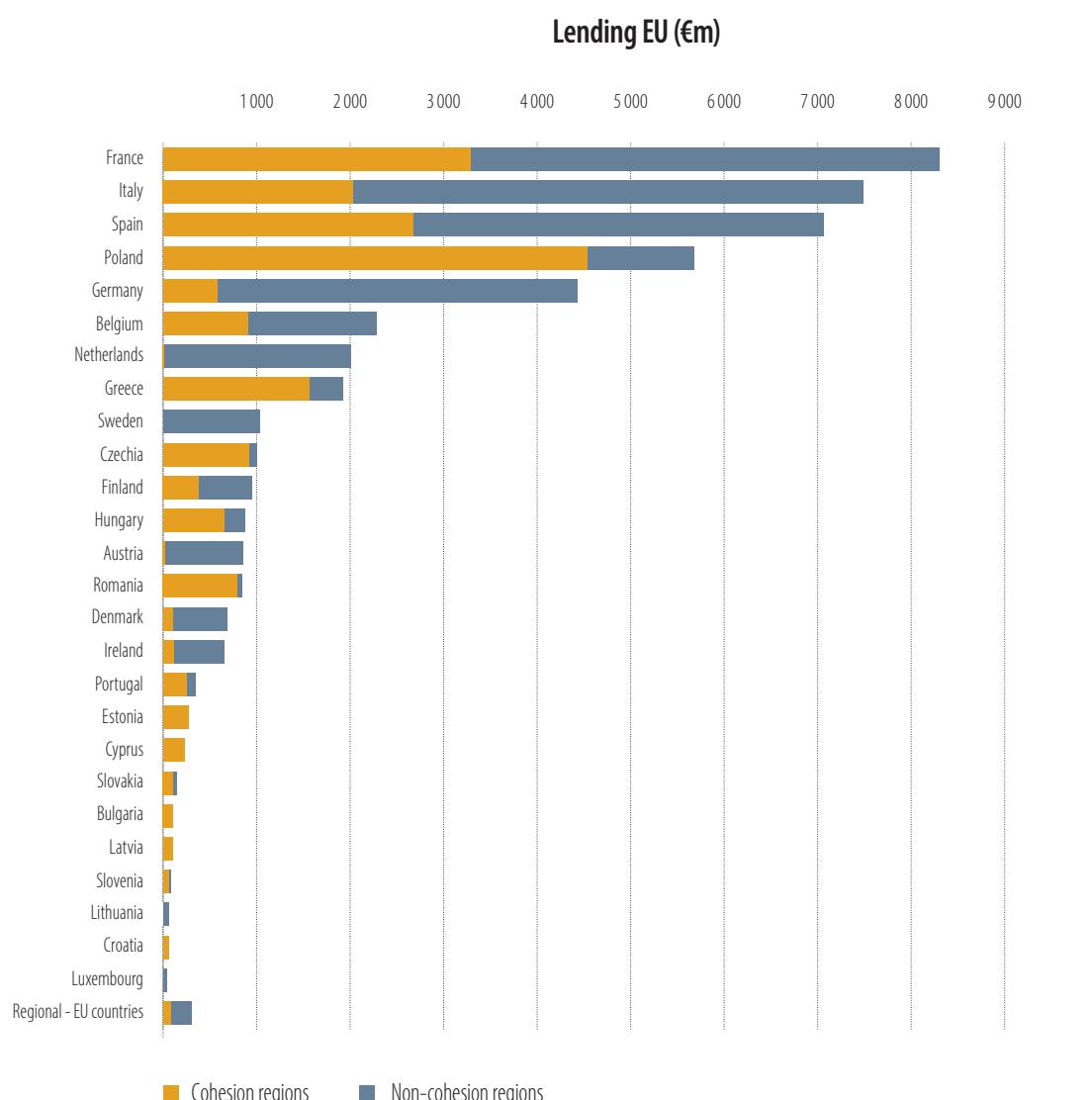
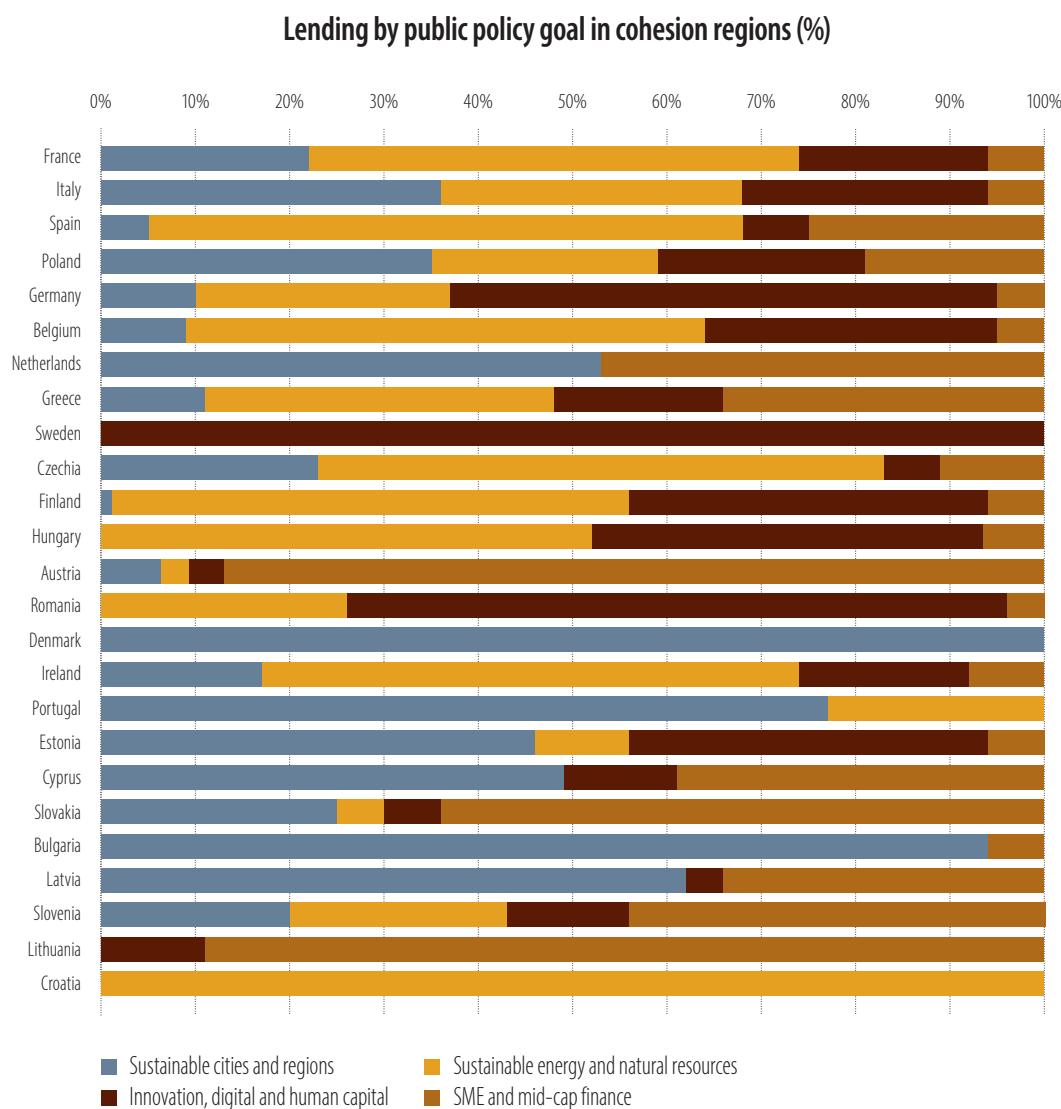


Figure 9 focuses on cohesion lending to each Member State, breaking down the volumes according to the EIB's public policy goals. The large absolute amounts of cohesion lending to France and Spain are driven by the large sustainable energy projects mentioned above while the mix of lending across the policy goals is more balanced in Poland.

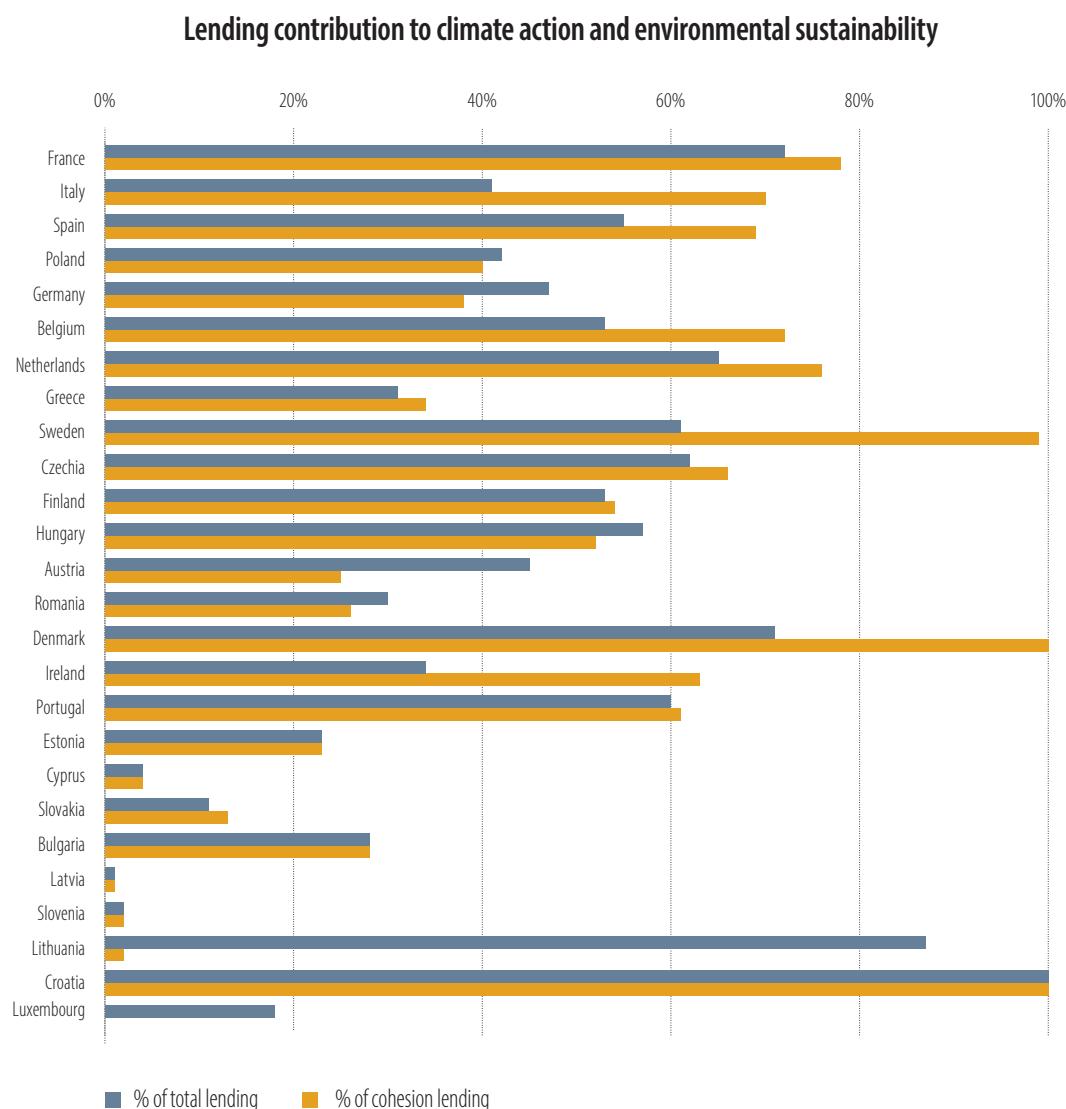
FIGURE 9: EIB 2021 LENDING IN COHESION REGIONS BY PUBLIC POLICY GOAL



- In 2021, the share of the *innovation, digital and human capital* policy goal in cohesion regions was high in Sweden (100%) and Romania (70%) and low in countries such as Latvia or Austria. There were no projects under this goal in Portugal or Bulgaria.
- The share of the *sustainable cities and regions* policy goal ranges from highs of 94% in Bulgaria and 77% in Portugal to lower levels in Spain and Finland. There were no projects under this goal in cohesion regions in Hungary or Croatia in 2021.
- Lending for *sustainable energy and natural resources* is highest in Croatia (100%) and Czechia (60%) and low in Slovakia and Austria. There were no projects under this goal in 2021 in cohesion regions in Cyprus or the Netherlands.
- A number of countries have very high *SME and mid-cap finance* shares in their total cohesion lending, notably Lithuania, Austria and Slovakia.

The share of climate action and environmental sustainability cohesion lending ranges from 2% in Slovenia and 4% in Cyprus to 100% in Croatia and Denmark, as illustrated by Figure 10 below. The nexus between the EIB's cohesion and climate action lending is analysed and discussed in further detail later in the report.

FIGURE 10: CLIMATE ACTION AND ENVIRONMENTAL SUSTAINABILITY LENDING AS A SHARE OF THE EIB'S 2021 COHESION LENDING



The charts above are intended to give an idea of the wide range of policy objectives pursued by the Bank in Europe's cohesion regions. However, these granular breakdowns by country, cohesion status and public policy goal for just one year of EIB lending imply that results can be driven by just one or very few projects. Results may therefore differ substantially from one year to the next, based on the specific business mix in each country in a given year¹³. The data are illustrative of the variety of ways in which EIB lending supports economic and social cohesion in Europe and they point to the many ways in which the EIB supports cohesion.

13. Furthermore, to avoid over-interpreting the results by public policy goal, one should remember the size of cohesion lending to each country, reported in Figure 8 above, when looking at Figures 9 and 10. For example, the 100% innovation bar for Sweden corresponds to the €6 million financing portion falling under one transition region, from a single EIB operation. Similarly, in the Netherlands, cohesion lending in 2021 amounted to only €11 million.

IMPACT OF EIB LENDING IN COHESION REGIONS

The EIB's support for investment projects in cohesion regions over the decades has contributed to the European Union's economic development in a meaningful way. The boxes below use project examples to highlight what cohesion means in practice and how such projects contribute to the United Nations' SDGs.

CONTRIBUTION TO THE UNITED NATIONS' SUSTAINABLE DEVELOPMENT GOALS (SDGs)

The EIB has been tracking and reporting how its projects contribute to the SDGs¹⁴ since 2016. Recently, the Bank has expanded its reporting to give a clearer picture of the impact of its investments throughout the European Union and beyond.

The EIB's methodology for SDG reporting, in financial terms and in terms of project outputs and outcomes, is comparable to those adopted by other multilateral development banks. It defines the relationship between the Bank's detailed policy objectives, sector-specific project outputs and outcomes, and the sustainable development goals. All these indicators are mapped to the appropriate goal independently of the actual projects, with each indicator mapped to up to three different SDGs. Each EIB-financed project thus contributes to all of the SDGs to which its data has been mapped through the policy objectives under which the project falls and through the sector-specific result indicators that it feeds.

The chart on the following page gives a visual summary of the EIB's impact through the lens of its contribution to the SDGs¹⁵ in Europe's cohesion regions, based on operations financed by the Bank in 2021 in these regions.

SECTOR-SPECIFIC PROJECT RESULTS AND CASE STUDIES

All the projects that the EIB supports are designed to have a positive socioeconomic impact as well as sound financial returns. The impact of the Bank's work is measured by gathering a detailed set of result indicators (outputs and outcomes) for all its projects. This ensures that the tangible benefits of the Bank's activities are calculated not only in the context of each project, but also at the sectoral, national and international level.

The following pages present a selection of key sector-specific project result indicators for operations that were first signed in 2021¹⁶. These figures represent concrete, sector-specific measures of project outputs and outcomes, expressed in physical units (such as the number of people receiving improved healthcare, or benefiting from safer drinking water, etc.)¹⁷ and are based on data gathered at appraisal for each project located in a cohesion region.

Each set of indicators is supported by a case study, to illustrate the Bank's intervention and its impact in various countries and activity sectors.

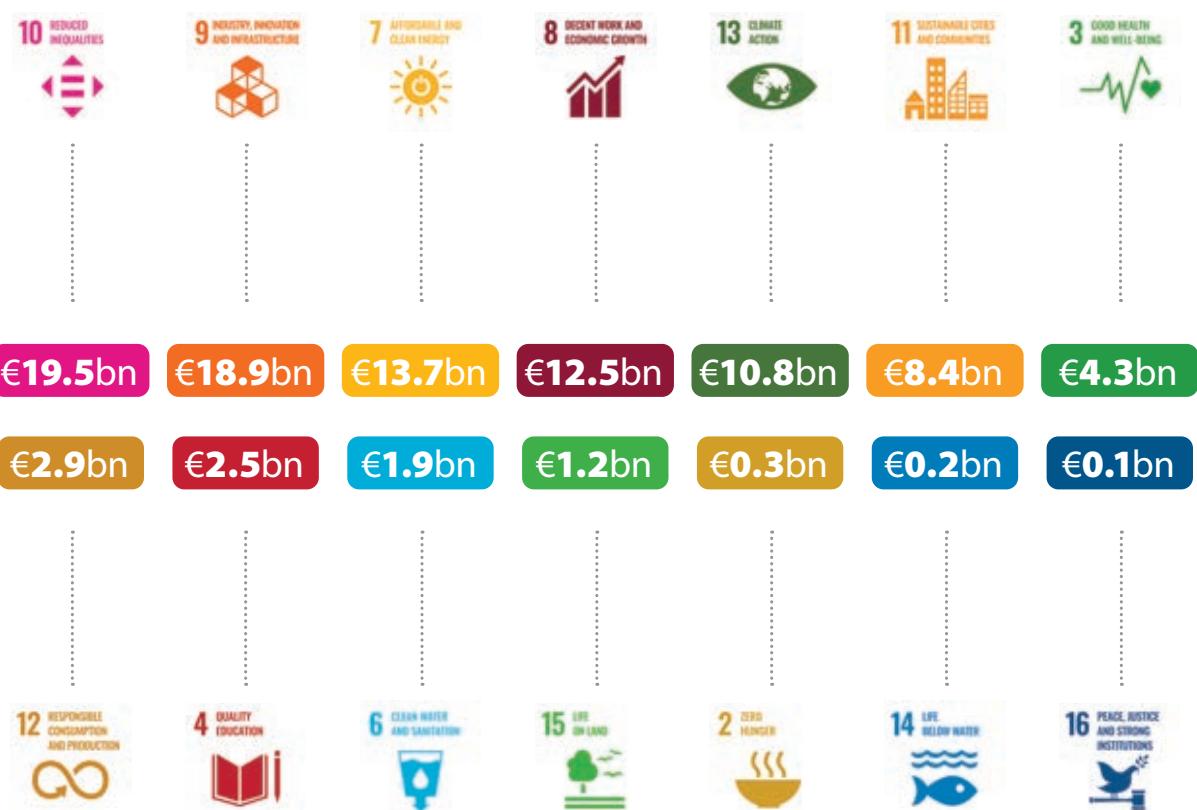
14. The United Nations' 17 Sustainable Development Goals (SDGs) provide a framework for measuring international efforts to end world poverty, protect the planet and ensure that everyone can enjoy peace and prosperity. The goals are explicitly taken into account in the formulation of all European Union policies.

15. More details can be found in [The European Investment Bank's contribution to the Sustainable Development Goals \(eib.org\)](#).

16. To avoid the double counting of project results across years, output and outcome indicators are reported for each project only once, in full, in the year of the first contract signature.

17. Expected outputs and outcomes are established during the appraisal stage, at the level of the overall project to be financed. The figures presented in this report refer to projects located either entirely or partially in cohesion regions. For projects contributing only partially to the Bank's cohesion objective, output and outcome indicator values are considered here pro-rata, based on the size of the project's cohesion component relative to the total project size. In addition, to avoid double counting project results (outputs and outcomes) across years, the indicator values in this section refer only to those projects for which the first financing contract was signed with the EIB in 2021 (in other words, projects financed in 2021, which were already partially financed by the EIB in previous years, are excluded from these figures).

THE EIB'S FINANCIAL CONTRIBUTION TOWARDS THE UNITED NATIONS' SUSTAINABLE DEVELOPMENT GOALS IN COHESION REGIONS IN 2021



EMPLOYMENT DURING PROJECT CONSTRUCTION AND OPERATION

The EIB's operations have both temporary and permanent effects on employment. Temporary employment is associated with the implementation phase of projects. For example, investment in new urban infrastructure, schools or flood defences will lead to the employment of construction workers in a given region during the construction period. The new operations signed by the Bank in cohesion regions in 2021 are expected to generate employment of about **263 000 person-year** equivalent over the period of their implementation.

The second type of direct employment effect concerns new permanent jobs during a project's operational phase. For example, a project to develop new transport infrastructure such as a rail connection will almost certainly mean recruiting additional staff to maintain the infrastructure or to operate the equipment using the new infrastructure. The new operations signed for projects in cohesion regions in 2021 are expected to generate some **8 700 full-time equivalent** jobs.

Projects supported by the Bank can also generate significant indirect or induced employment effects. Continuing with the railway example, new jobs may be created in the local economy because firms are able to trade more cost-effectively with key markets elsewhere. Similar types of effects can be found in the fields of innovation and skills, and the environment. For example, EIB investment in SMEs should enable them to innovate and grow, thereby creating new job opportunities. Although more difficult to measure, it is the longer-term direct and indirect or induced employment effects arising from EIB-financed operations that are likely to be the most significant. These types of effects are further discussed in the second part of the report.

The Bank's operations in support of SMEs and mid-caps in 2021 are expected to sustain a further **586 500 jobs** among SMEs and mid-caps.

INFORMATION AND COMMUNICATIONS TECHNOLOGIES



OUTPUTS	OUTCOMES
2 275 4G and 5G sites installed	1 084 000 additional subscribers with 5G services enabled
Some 1 376 000 homes passed to fibre-to-the-home (FTTx) (excluding VDSL)	Over 515 000 homes connected to FTTx (excluding VDSL)



CASE STUDY

DIGITALISATION AND COHESION THROUGH POLISH FIBRE PROJECTS

Central and north-eastern Poland are favourite travel destinations. But the deep woods, winding valleys and lakes hinder access to robust internet services. Poland is among the least digitally advanced countries in Europe. This has severe implications for people in rural areas who, for example, cannot enjoy telehealth facilities and teleworking options. It is also a problem for children and students, who have limited access to online learning.

A few Polish companies are working to correct this lack of connectivity with new rural fibre networks. By 2025, Nexera and Światłowód Inwestycje (S.I.) will deploy fibre-to-the-home access networks reaching over 3.1 million addresses (2.4 million for S.I. and 0.7 million for Nexera), including households, businesses and schools.

Building a fibre network is costly as each house requires a physical connection to the network. The EIB is backing both companies with two separate loans aiming to boost the spread of a technology that is important to Europe's future in regions where it's risky to invest.

Fibre-to-the-home (FTTH) technology connects optical fibre directly to individual buildings, which significantly increases the connection speeds and quality of connectivity available to connected devices and their users compared with typical cable or digital subscriber connections. Its signal is not slowed down by physical barriers common in rural areas, such as hills or thick woodland. Fibre offers broadband speed up to 100 times faster than older technologies.

Fibre is also a greener internet solution. The FTTH technology helps customers reduce their energy consumption and carbon footprint. The networks can also be upgraded without having to replace the fibre and maintenance costs are minimal, because the optical fibre cables do not degrade.

FTTH technology brings a range of benefits including more bandwidth, greater reliability, future flexibility and cost efficiency. Installing fibre networks on a large scale requires very large investments, however. Operating in rural areas, where there are fewer customers per kilometre, companies cannot spread their network costs across millions of customers and they require significant capital investment to connect more end users.

The EIB's €76 million financing for Nexera is backed by the European Fund for Strategic Investments (EFSI), a guarantee from the EU budget which allows the EIB to increase its support for projects that go beyond the Bank's usual risk-bearing capacity. The EIB loan will help Nexera connect around 530 000 households and 1 400 schools by 2023. The EIB also provided a loan of about €130 million to S.I., which will enable the company to connect 2.4 million households and offer faster internet in both bigger cities and small towns.

In the context of the EIB's cohesion mission, both projects have the potential to boost regional economic development. Commuting and telecommuting both become realistic options where internet services are fast and reliable. Fibre enables people to access new job opportunities and training, and start new enterprises targeting local communities in local areas, making them more attractive and competitive.

RESEARCH, DEVELOPMENT AND INNOVATION (RDI)



OUTPUTS	OUTCOMES
<p>€2.67 billion EIB financing of new research, development and innovation projects</p>	<p>An additional €3.56 billion of potential sales resulting from the projects financed</p> <p>Employment of 20 200 full-time equivalent staff supported by the projects</p>



CASE STUDY

HELLAS DIRECT BRINGS FAST, CHEAP AND INNOVATIVE INSURANCE TO GREECE AND CYPRUS

Hellas Direct is a digital insurance company in Greece and Cyprus. By using state-of-the-art algorithms and technology, it offers a more efficient insurance model and better quality products at better prices. The company's founders saw that the region's insurance sector was outdated and bureaucratic and seized the opportunity to offer an innovative product. From the outset this involved rethinking all the insurance processes and digitalising them, using artificial intelligence and machine learning, to meet the needs of the modern customer in Greece.

A €15 million loan to Hellas Direct from the EIB is helping the company expand its technology-led insurance services and adapt the region's financial services to a post-COVID-19 world. It is part of a wider push by the EIB to support innovation and high-tech business growth in South-Eastern Europe.

Hellas Direct became the first Greek company with a fully automated, digital insurance process and proprietary platform to manage claims, underwriting, pricing and online distribution. The technology also enables Hellas Direct to provide unique insurance products in a short time and at lower prices. With Hellas Direct, the owner of a registered vehicle in Greece can buy insurance online in less than four minutes and if they have a mechanical fault, the platform will recommend a garage and offer finance for anything not covered by their policy.

Reshaping insurance in South-Eastern Europe is challenging. The fledgling company faced numerous challenges in the form of bureaucratic hurdles and the difficult economic environment but obtaining funding was always the greatest problem.

The EIB's €15 million loan, signed in July 2021, is its largest ever for financial services in Cyprus and the first time the Bank has offered venture debt financing to a Cypriot company. The loan is part of the [European Growth Finance Facility](#), a product under the guarantee of EFSI. The Facility allows the Bank to engage with more risky transactions, enabling it to finance smaller, innovative companies and offer them additional long-term liquidity.

Hellas Direct's innovation has regional and economic dimensions, too. By offering higher-quality, faster insurance and more accessible products, the company is improving mobility in the region. Greece has the oldest vehicle fleet in Europe, so cars break down often and people cannot go to work or drive their children to school. Hellas Direct aims to provide a concrete solution to problems that obstruct efficient, safe and accessible mobility, thus helping boost the region's economy and making it a more attractive place to live and work.

EDUCATION



OUTPUTS	OUTCOMES
Over 385 700 m² of newly constructed or rehabilitated education facilities	Some 32 900 students enrolled in education facilities benefiting from finance
Some €190 million of new educational and information and communications technology (ICT) equipment supplied	25 875 students benefiting from student loans



CASE STUDY

BEST IN (VIRTUAL) CLASS

Long before the word “lockdown” became part of our daily vocabulary, Croatia had started working on bringing its schools into the digital age through a nationwide digitalisation project led by CARNET, the Croatian National Research and Education Network. 920 teachers and over 6 000 students in 151 schools took part in a pilot project and were provided with laptops, tablets and presentation equipment, as well as better connectivity and training for the teachers. When the pandemic hit, pilot schools were ready for online classes within two days.

The plan is to fully digitalise **more than 1 300 primary, secondary and art schools** in Croatia by the end of 2023. On top of that, more than 20 000 teachers and other educational staff will undergo training. The aim is to not only provide all Croatian schools with IT equipment, but also to educate the teachers, as well as create digital educational content, thus raising the digital maturity level of Croatian schools.

The European Union has funded both stages of the project, which has received a **Regiostars Award** from the European Commission for the best cohesion policy projects in the field of “Skills & education for a digital Europe.” The second stage alone received over €150 million from the European Regional Development Fund (ERDF) and the European Social Fund. And the EIB has been involved since the very beginning. The Bank’s **JASPERS** team, which advises public authorities and promoters on strategies, programmes and projects to help them make use of European funds, ensured this project saw the light of day.

This decision proved the right way to go. Compared to the initial evaluation, 93% of the schools participating in the pilot phase increased the level of their digital maturity, reaching the level of digitally competent or digitally advanced schools.

Digitally mature schools:

- Have a high level of integration of ICT in their educational offering and in their administration.
- Systematically approach the development of the digital competencies of the staff and students.
- Have adequate ICT equipment for classrooms, laboratories, employees and students.
- Use ICT to improve teaching methods, develop digital educational content and evaluate students' achievements¹⁸.

A key feature of the project was the focus on the teachers’ training and the educational content, in addition to the infrastructure and equipment. Teachers can use all of the digital educational content and various teaching scenarios, as they deem appropriate, for their own class. And students have easy access to high-quality digital content whenever they need it.

The project will be finalised in 2023, one year later than originally planned, due to the supply chain disruptions caused by COVID-19. Once done, it will signify a new era for education in Croatia.

18. [Digital Maturity of Schools \(e-skole.hr\)](#)

HEALTH



OUTPUTS	OUTCOMES
<p>Some 457 500 m² of newly constructed or rehabilitated floor area in health facilities</p> <p>2 235 beds in new or refurbished health facilities</p> <p>€209 million of equipment and ICT supplied to health facilities</p>	<p>Some 24 794 000 people with access to improved health services</p> <p>2 579 000 patients benefiting from improved health services</p>



CASE STUDY

ROMANIAN REGIONAL HOSPITALS

Much of the hospital infrastructure in Romania is old and fragmented. 90% of hospitals are located in urban areas and some, including the Clinical County Emergency Hospitals in Iasi, Cluj-Napoca and Craiova, operate from a number of separate buildings, spread across a wide area.

Overall, the standard of equipment used in Romanian hospitals and the availability of new technologies is lower than in more developed European countries, and modern services tend to be concentrated in the larger towns. This undermines the quality and efficiency of treatment and increases costs for both the healthcare system and its users.

Hospitals in Bucharest treat 60 000 people per year from Iasi, Cluj-Napoca and Craiova. These patients must travel long distances for treatment — a trip to Bucharest from Iasi or Cluj takes up to seven hours. The EIB is working closely with the Romanian Ministry of Health to build three new regional emergency hospitals and improve the provision of quality services to patients. When the hospitals are functional, people will receive treatment much closer to home, significantly reducing inequalities in access to healthcare.

The project will take four years and cost around €1.6 billion, with the EIB lending some €930 million. The Bank has already provided a comprehensive package of advisory and technical assistance to support the preparation of the hospitals and, as they now enter implementation, its Project Advisory Support team based in Romania is reviewing designs and preparing the relevant tenders for construction, property development, and hospital and facility management. The team is also working closely with the project implementation team at the Ministry of Health to enhance its capacity to deal with complex projects.

REGIONAL AND URBAN DEVELOPMENT



OUTPUTS	OUTCOMES
<p>5 249 600 m² of built surface newly constructed or upgraded</p> <p>225 000 m² area of open space developed or remediated</p> <p>59 social, cultural, recreational, administrative, emergency, etc. facilities built or renovated</p>	<p>Over 4 300 000 people benefiting from new or improved infrastructure through co-financed programmes</p> <p>Some 2 655 000 people with access to new or upgraded urban infrastructure and services through multi-sector municipal framework loans</p> <p>20 000 visitors per year to new or renovated cultural, recreational and sport facilities</p>
Almost 5 900 social or affordable housing units built or renovated	Some 5 900 households in new or refurbished social or affordable housing units



CASE STUDY

PREŠOV REGIONAL INFRASTRUCTURE

The Prešov Region (in Slovak *Prešovský kraj*) is the most populous and second largest region in the Slovak Republic. It is also one of Europe's least developed cohesion regions.

The Prešov regional infrastructure project is an EIB framework loan supporting over 100 schemes implemented under the region's investment programme, which aims to improve regional infrastructure.

EIB financing enables the Prešov Region to address a sub-optimal investment situation and improve public services in the sectors of transport, education, culture, social care, public administration and environmental protection, all of which have a positive effect on quality of life. The targeted improvement of public facilities helps address regional inequalities.

One of the projects supported by the EIB's framework loan is the complete reconstruction and refurbishment of the historic building which houses the P. O. Hviezdoslava library in Prešov. By providing €2.46 million to complement the region's own €5.9 million contribution, the EIB is helping to ensure that this valuable cultural resource and local landmark will be open to the public again by the end of 2023.



TRANSPORT



OUTPUTS	OUTCOMES
Over 120 km of bus lanes, tram lanes or metro tracks constructed or upgraded 31 stations or stops constructed or upgraded 1 600 vehicles or rolling stock purchased or rehabilitated €110 million of equipment supplied	Over 16 900 000 additional trips on public transport per year Almost 14 million hours of time savings per year €22 million of vehicle operating cost savings per year
Almost 650 km of road lanes built or upgraded	Almost 70 600 daily road passengers benefiting from improved road infrastructure An estimated nine road fatalities avoided each year



CASE STUDY

HIGH-SPEED RAIL CONNECTION BETWEEN NAPLES AND BARI

Upgrading the railway line connecting Naples with Foggia and Bari will provide a fast and efficient rail link between two major population centres in Campania and Puglia, for both passengers and freight, bringing significant economic benefits.

Travelling from Naples to Bari by train is not for the faint-hearted. Naples is Italy's third-largest metropolitan area, and Bari ranks sixth but there are currently no direct rail connections between the two. The section of line between Naples and Foggia acts as a bottleneck; passing through a mountainous area, it is mainly single track and journeys are very slow. Constrained capacity and long travel times mean that the existing services are less attractive than road or air for both passengers and freight.

A €2 billion EIB loan is supporting a project to upgrade 121 km of the 215 km railway line between Naples and Foggia. The line's capacity will be increased, bringing the maximum speed to 200 km/h, and five new stations will be built. Once the work is finished, the line will carry 209 passenger trains and 11 freight trains per day, up from 84 and three respectively at present. Passenger numbers are expected to rise from 3.4 million to 9.3 million per year and the annual volume of freight transported will increase from 0.4 million tonnes to 1.3 million tonnes. Regional and some intercity services for passengers will be covered by public service contracts, whilst high-speed passenger services and freight services will be operated on a commercial basis.

Overall, the new rail connection, on a route which forms part of the Trans-European Transport Network (TEN-T), is expected to give a significant boost to economic development and social integration in both Campagna and Puglia, as traveling by rail from Naples and Bari to other locations in central and northern Italy and beyond will become much easier. Increased passenger demand will provide significant economic benefits in terms of time and cost savings while other positive impacts include improved transport safety and reductions in air pollution, greenhouse gas emissions and energy consumption.

ENERGY



OUTPUTS	OUTCOMES
<p>7 000 MW electricity generation capacity from renewable energy sources</p>	<p>16 000 GWh of electricity produced from renewable energy sources per year</p> <p>Over 3 670 000 households which could be supplied with the electricity generated by the project</p>
<p>Some 62 550 km of power lines/cables constructed or upgraded for transmission and distribution of electricity</p> <p>19 800 MVA capacity of electricity sub-stations constructed or upgraded</p> <p>892 800 new connections to energy networks</p> <p>Some 1 841 000 smart energy meters installed</p>	<p>Incremental demand supplied of almost 8 100 GWh/year</p>
<p>55 km of gas or oil pipelines constructed or upgraded</p>	<p>Over 23 000 GWh/year of gas storage utilisation</p>
<p>94 675 new or refurbished energy-efficient housing units</p>	<p>94 675 households in new or refurbished energy-efficient housing</p>
<p>Energy savings of over 900 000 MWh/year from energy efficiency or loss reduction measures in new projects financed in cohesion regions in 2021</p>	

CASE STUDY

CLEAN SOLAR POWER FOR 121 300 HOMES IN SPAIN

Solaria, a Spanish company specialised in the development, construction and operation of photovoltaic power plants, is building seven new photovoltaic plants with EIB support. The project will increase renewable energy generation capacity in Spain and contribute to national and EU 2030 climate objectives.

The plants are all located in cohesion regions, supporting the strengthening of the European Union's economic, social and territorial cohesion, and helping to support the economic recovery of areas affected by the COVID-19 pandemic. The construction of the plants, which are located in rural areas, creates jobs and growth and fosters local development. The project is also contributing directly to the strategic objectives of the different regions (such as combating climate change in Extremadura, increasing the electricity produced with renewable energy in Castilla y León, and reducing carbon emissions in Castilla-La Mancha). Altogether, the new solar plants will generate enough energy each year to power 121 300 homes.

The EIB's financial support and structuring advice were instrumental in accelerating the project and in enhancing its viability. This was particularly important in the period of very high economic uncertainty that followed the COVID-19 pandemic.



WATER, WASTEWATER AND SOLID WASTE



OUTPUTS	OUTCOMES
<p>210 km of water mains or distribution pipes installed or rehabilitated</p> <p>66 km of combined collectors installed or rehabilitated</p> <p>360 000 m³ capacity of retention structures, reservoirs or raw water storage constructed or rehabilitated</p> <p>105 000 m³/day capacity of water treatment plant constructed or rehabilitated</p> <p>2 300 domestic connections to water supply created or rehabilitated</p>	Over 1 855 000 people benefiting from safe drinking water
<p>Over 180 km of sewerage and/or stormwater pipes installed or rehabilitated</p> <p>1 000 000 person-equivalent capacity of sewage treatment plant constructed or rehabilitated</p>	Almost 780 000 people benefiting from improved sanitation services
219 km of dykes constructed or upgraded	494 000 people facing reduced risk of flooding
<p>256 000 tonnes/year of new or rehabilitated waste treatment facility capacity and</p> <p>4000 tonnes/year of new waste facility capacity</p>	<p>180 000 people served by new waste treatment facilities</p> <p>260 000 tonnes/year of waste handled in new or rehabilitated waste or waste treatment facilities</p> <p>10 000 tonnes/year of recyclable/biowaste collected separately</p>



CASE STUDY

PORTUGAL WASTE MANAGEMENT COMPANY TURNS TO CENTRALISED AND AUTOMATED RECYCLING

Empresa Geral do Fomento (EGF Group) provides waste management services to 6.3 million people — around 60% of Portugal's population — and manages about 65% of the municipal waste generated in the country.

Compliance with EU directives and national environmental legislation and meeting recycling targets was a challenge for the company. The company's treatment facilities could no longer keep up with the needs of Portugal's growing municipalities. EGF Group also lacked the investments necessary to develop the potential of the circular economy and step up its efforts to divert waste away from landfill disposal.

A €75 million loan from the EIB supported the implementation of several investments geographically dispersed throughout the service areas covered by the company and its 11 operating subsidiaries. The project improves basic services in line with EU directives and long-term domestic guidelines for the waste sector in Portugal. As well as promoting a more sustainable approach to waste management, it also creates jobs and contributes to economic, social and territorial cohesion in less developed regions across the country. In particular, the project helps EGF Group improve its service in northern Portugal, a less developed part of the country that benefits from EU cohesion policies. It also aims to develop a new way of recycling packaging waste and to produce renewable energy from biowaste.

Before 2021, the waste deposited in these landfills complied with all necessary checks but was subject to barely any treatment. Valuable resources and energy were not recovered and the landfills were a nuisance to local residents. Now, there is a new plant called the Resulima Waste Recovery Unit, which treats, recovers and disposes of municipal waste.

With the new waste management plant, EGF Group automatically separates waste from the moment it arrives at the landfill. All urban waste is processed by the mechanical treatment unit, which separates everything that can be recycled and processes biowaste. The new plant, which will serve as a model for others, helps the company keep pace with population growth and serve a greater number of rural regions.

SME AND MID-CAP FINANCE



Supporting the development of the private sector is vital to helping cohesion regions catch up with wealthier areas because it helps create new employment opportunities and reduces inequalities. SMEs and mid-caps are the backbone of the EU economy and supporting them has traditionally been one of the EIB's strengths. Because they are smaller, SMEs and mid-caps tend to be more vulnerable to economic cycles and find it harder to access financing, which limits their investment and growth capacity. This is particularly the case for SMEs and mid-caps in cohesion regions, for which access to finance remains an investment obstacle¹⁹.

The EIB actively supports SMEs and mid-caps in cohesion regions. Most of the Bank's financial support for SMEs and mid-caps is distributed through financial partnerships with local commercial banks and national promotional institutions.

Key figures for 2021

€3 billion of new signatures²⁰ benefiting SMEs/mid-caps in cohesion regions

Approximately 21 900 SMEs/mid-caps supported in cohesion regions²¹

Around 586 500 jobs sustained in SMEs/mid-caps in cohesion regions²²

In 2021, a significant part of the EIB'S SME financing was carried out under the European Guarantee Fund (EGF). The EGF is an integral part of the €540 billion EU recovery package approved in 2020. It was set up by the EIB Group with almost €25 billion in contributions from EU Member States. Under the EGF, the Bank provided SME and mid-cap finance in the form of loans, guarantees, asset-backed securities, equity and other financial instruments, to shield companies suffering from the COVID-19 crisis. The EGF's goal is to ensure that SMEs with sustainable business plans can get the liquidity to overcome COVID-19-related adversities, and that healthy businesses can get the support they need in order to grow.

Although the EIB's lending under the EGF does not count towards the EIB's cohesion lending aims, its contribution in terms of cohesion has been very relevant in a particularly difficult year. Under the EGF, in 2021 the EIB provided €8.6 billion of additional support to SMEs and mid-caps, of which 23% was in cohesion regions. These figures are not included in the EIB's cohesion lending results²³ and are therefore not included in the 41.5%²⁴ EIB contribution to cohesion. This additional support was largely provided through financial intermediaries, but also in the form of direct venture debt, as illustrated by one of the following case studies.

19. [EIB Investment Survey 2021 — European Union overview](#).

20. Signatures with financial intermediaries in 2021 to support SME/mid-cap final beneficiaries.

21. Figure relates to SME/mid-caps that benefited from EIB support in 2021 as a result of operations signed with financial intermediaries up to the end of 2021.

22. Figure relates to SME/mid-caps that benefited from EIB support in 2021 as a result of operations signed with financial intermediaries up to the end of 2021.

23. Since the EGF was backed by EU Member States and was recorded off-balance sheet by the EIB.

24. 41.5% of EIB own-resources lending in the EU-27 in 2021 supported cohesion regions.

CASE STUDY

UNLOCKING INVESTMENT FOR SMALL FARMERS IN ROMANIA

Agriculture is a key economic sector for Romania. However, a large portion of the country's harvest comes from small farmers, who find it difficult to access financing for their businesses. Unlocking investment in the agricultural sector is crucial to enable agribusiness to grow, harness new business opportunities and create jobs.

In 2021, the EIB provided a second loan of €7.5 million to Agricover Credit IFN, a financial intermediary specialising in agricultural finance, to support small and medium-sized farms and young farmers in Romania. The funds will be allocated throughout the country and around 90% are expected to reach Romanian cohesion regions (seven out of the eight regions in Romania are less developed regions).

Agricover Credit IFN finances the agricultural sector and works with more than 15% of all professional farmers in Romania. It offers agribusiness and financial services to farmers through a highly integrated business model centred on satisfying the essential business needs of farmers. Through this loan, the EIB is helping to finance the sustainable growth of agricultural and farm businesses, thereby promoting rural development in less developed regions of the European Union.

CASE STUDY

POLAND: EIB LOAN TO BANK OCHRONY ŚRODOWISKA FOCUSES ON CLIMATE ACTION BY SMALL AND MEDIUM-SIZED BUSINESSES

Small companies generate around half of Poland's GDP and employ nearly 7 million people but are less likely to invest in measures to tackle the impact of climate change or to improve their energy efficiency than bigger firms ([EIB Investment Survey 2021](#)).

To reach these small businesses, many of which are located in less developed cohesion regions, in October 2021 the EIB agreed to lend up to €75 million to Bank Ochrony Środowiska, a Polish bank specialising in financing environmental protection projects.

The loan will enable the Polish bank to increase its financial support for projects promoted by small and medium-sized businesses (companies with fewer than 250 employees), mid-caps (up to 3 000 employees), homeowners associations and public sector entities. At least 50% will go to projects with a strong climate action focus, such as developing energy efficiency in buildings or using renewable sources of energy, including solar power. The funds will be allocated throughout the country with about 80% expected to reach cohesion regions.

CASE STUDY

ENDUROSAT'S UNIQUE TECHNOLOGY HELPS CUT THE COST OF ACCESSING SPACE-BASED SENSORS AND EQUIPMENT FOR SCIENTISTS AND BUSINESSES

Bulgarian nanosatellite provider EnduroSat's journey from Earth to space began in a 25 m² attic in Sofia in 2015.

The company was founded with one simple idea in mind: to make space more accessible to scientists and entrepreneurs around the world.

EnduroSat is opening up opportunities in space research to businesses and scientists through its uniquely flexible, multipurpose nanosats, which can be reprogrammed for each mission with an emphasis on software flexibility, rather than producing new hardware for each mission. The company's software enables its tiny satellites to perform multiple missions without the need for hardware tweaks and is developing an innovative data-sharing platform.

The company has built a satellite platform capable of carrying different sensors and electronics without having to change the hardware for each payload. Satellites' performance can be adjusted, and updates and improvements can be made throughout the entire mission lifecycle. These multi-mission satellites break the mould of "single satellite, single mission," offering significant advantages in terms of cost and performance.

The company has also launched a shared satellite service that allows its customers to lease the company's satellites to deploy and operate sensors and instruments in space, instead of developing their own satellite fleets. This reduces the costs of accessing low Earth orbit and the risks of each mission.

EnduroSat's approach also has benefits for the space environment because it means fewer satellites and fewer launches are needed for any given number of applications. This saves on CO₂ launch emissions and results in less orbital debris in space.

But like so many companies dependent on complex supply chains, the COVID-19 pandemic has proven to be a challenging time for EnduroSat. Faced with delayed rocket launches, component shortages and the logistical problems of moving engineers and components, the company turned to the EIB for financing.

Using guarantees provided by EU Member States through the Pan-European Guarantee Fund, a tool created by most Member States of the European Union to help companies hit by the pandemic, the Bank provided a venture debt financing agreement of up to €10 million for EnduroSat.

The financing will help EnduroSat ride out the crisis and continue to develop the company's satellites and new innovative services, such as its forthcoming Space App Store, which will enable clients to buy data or equipment time from each other.



Space industries are a strategic priority for the European Union. The sector, once dominated by state-backed entities, is undergoing considerable change as technological advancements allow new, private companies to enter the market. The European Commission estimates that the European space economy, which includes manufacturing and services, employs over 230 000 professionals and in 2017 was estimated to be worth around €53-62 billion.

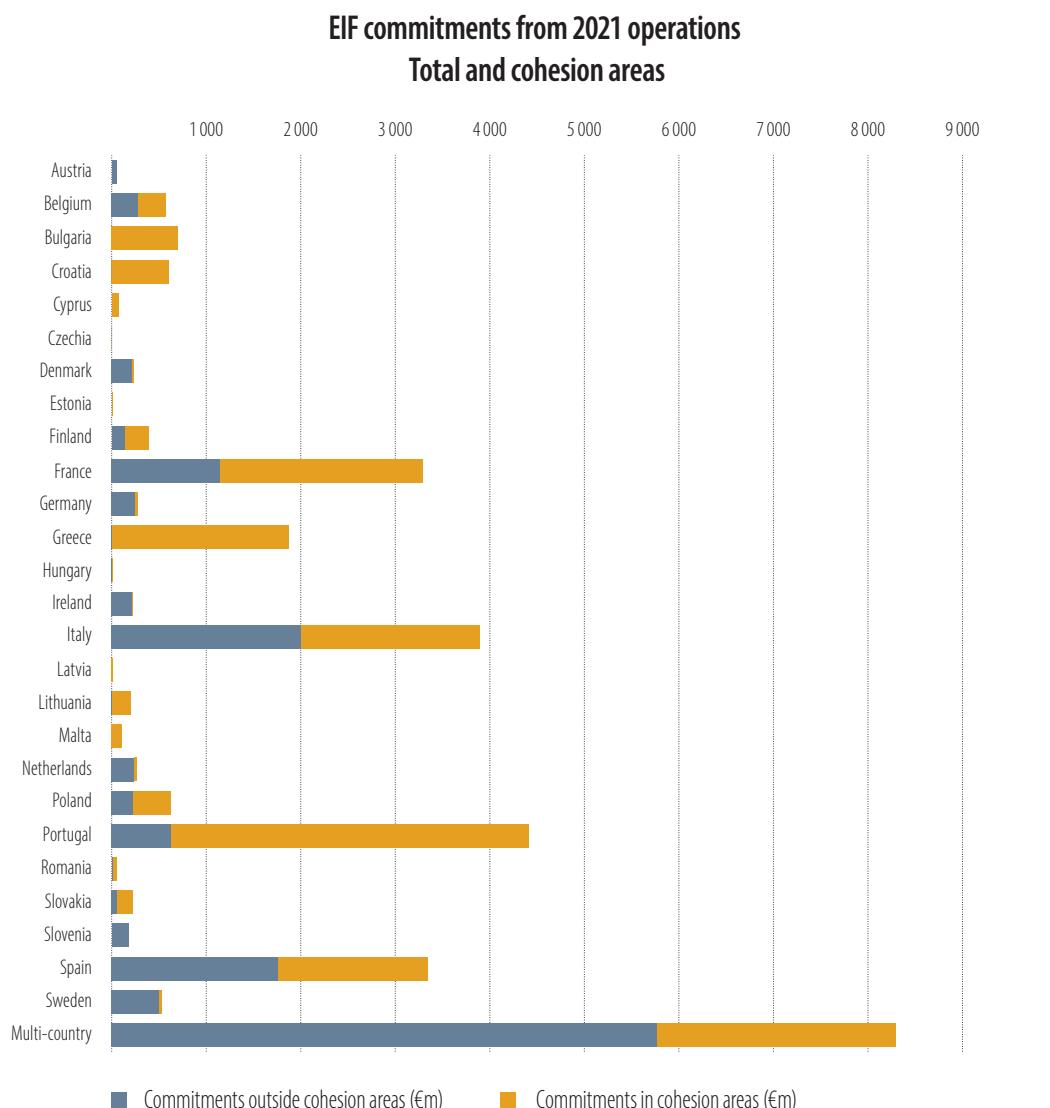
According to the European Space Agency, every euro invested in the space sector returns an average of six euros to the economy, making the sector essential for growth, competitiveness and high-tech employment. Moreover, space technology in orbit and applications on Earth have the potential to provide competitive advantages in a large number of industries including maritime, aviation, agriculture, natural resource management, insurance, financial trading and logistics. Space technologies are also vital for monitoring climate change and natural disasters such as forest fires.

The Bank has supported the space sector since the 1980s, mainly with sizeable loans to large European satellite operators or rocket launchers. Since 2020, it has also supported emerging “New Space” scale-ups with venture debt in the European Union, with the first loans going to Spire Global (Luxembourg) and D-Orbit (Italy); EnduroSat (Bulgaria) represents the third space company in the Bank’s venture debt portfolio.

EIF ACTIVITY IN COHESION REGIONS IN 2021

Transactions signed by the EIF in 2021 provided support to SMEs and other eligible final recipients located in cohesion regions in 25 of the EU's 27 Member States, as illustrated in the chart below. The support was mainly through debt/guarantee and equity financial instruments in both transition regions and less developed regions.

In absolute terms, the cohesion regions that are expected to benefit the most from EIF transactions signed in 2021 are in Southern Europe since Portugal, Italy and Spain were the most active markets for the Fund in 2021. Relative to GDP, however, EIF support for cohesion areas in 2021 is expected to be greater in Bulgaria and Croatia. It should also be noted that about 15% of EIF support for cohesion areas arises from multi-country transactions and hence cannot be allocated to specific countries.





CASE STUDY

SPARTAN ORGANIC HONEY

Louvis Panagiotis has turned a family tradition into a family business producing organic honey, royal jelly and propolis in Sparta, Greece. His great grandfather was among the first honey producers in the region. Now, with the help of an EU-guaranteed loan from the Bank of Piraeus, backed by the EIF under the Investment Plan for Europe, Panagiotis has bought around 200 beehives, doubling his production capacity, and has brought his brother into the company. Quality is key. Panagiotis's honey is tested regularly in a certified laboratory and the plan is to export his products to other European countries.

hector
le collector

CASE STUDY

GREEN ENERGY COURTESY OF YOUR BIOWASTE

According to the French Environment and Energy Management Agency (ADEME), perishable waste represents a third of residual household waste in France. A Toulouse startup named Hector le Collector collects unused urban food waste at offices and restaurants in order to transform it into bioenergy.

Hector collects biowaste up to six times a week from the companies and restaurants that have subscribed to the service. Overall, more than 600 employees benefit and each employee gets an individual kit to collect waste at home and deposit it in their office in a wooden bin provided by the startup.

The price of the service is fixed in relation to the number of collections and not on the volume collected, with the aim being to motivate all employees to fill the bins. Those food waste streams are then sent to a biogas plant located 40 km from Toulouse where it is transformed into green gas.

Founder and CEO Quentin Saieb set up the company with his own funds, but he also received support from local initiatives such as Initiative Haute-Garonne and Créalria, supported by the EIF-managed FOSTER TPE PME fund-of-funds in Occitanie. A €22 000 loan from Créalria enabled the company to buy equipment in order to collect waste: an electric car, wooden bins, recycled plastic bins and small bamboo bins for users. Créalria also marketed Hector's services to their network of partners, opening up new business opportunities for the startup.

Despite a slowdown in activity due to the pandemic, the startup collected 45 tonnes of biowaste in 2021, equivalent to 31 500 kWh of energy produced. The company, which initially plans to expand its presence in Toulouse, is also working on the development of public collection points, perhaps in bulk grocery stores where customers could maximise their ecological commitment by depositing their biowaste when shopping. In 2022, the startup also plans to extend the service to the 20 largest cities in France. A new regulation coming into force in 2025 will make biowaste sorting compulsory and should therefore further increase the popularity of the company.

CASE STUDY

GOAT BREEDING AND CHEESE PRODUCTION

A young farmer, setting up his agricultural holding as a goat breeder, dairy farmer and cheesemaker, received a loan of €84 000 from Crédit Agricole. The loan was supported by the European structural and investment fund EAFRD Nouvelle Aquitaine fund-of-funds (ALTER'NA). This is an EIF-backed guarantee instrument, which facilitates access to finance for farmers and agribusinesses in the region.

With the proceeds of the loan, the young farmer was able to acquire 8.5 hectares of land, rent a further five hectares, obtain the right to use 97 hectares of pasture, purchase livestock (45 adult goats, 30 kids and one buck) and construct a building to process cheese. He sells his produce both on-site and at farmers' markets as well as via a local cheese retailer. At a more general level, this investment contributes to the development of value-added products, the promotion of short supply chains and generational renewal in agriculture.

THE MACROECONOMIC IMPACT OF EIB GROUP LENDING TO COHESION REGIONS

Between 2014 and 2020, the EIB Group's financing in EU cohesion regions supported a total investment volume of close to €630 billion. This is a sizeable investment volume, which in total would make up some 16% of GDP in the cohesion regions²⁵.

The EIB Group supports a range of operations in and specifically for cohesion regions. The projects produce direct results such as better roads, better access to finance, etc. But the investments the EIB Group supports can also have ramifications throughout the European Union. They may create jobs not just in the projects they support, but also down the supply chain, and, possibly as their main objective, they may affect productivity, competitiveness and therefore prosperity overall in the region and the European Union more generally.

Many of these effects cannot be directly observed in every project. For such broader effects, typically economic modelling is used. To assess the impact of the EIB Group's cohesion lending the Group uses the RHOMOLO model, which was developed by the European Commission's Joint Research Centre to assess the impact of regional policy. The RHOMOLO-EIB model is a spatial computable general equilibrium (SCGE) model, covering 267 regions in the European Union and the United Kingdom. Each regional economy is then divided into ten economic sectors connected to one another and to the rest of the world through trade. The model relies on an equilibrium framework where supply and demand respond to price changes in order to clear markets. All decisions in the economy are reflected in the model by optimising the behaviour of different economic agents²⁶.

Specifying the location where the investment project will take place, the sector of the investment, the nature of the investment (for example, in transport, public infrastructure, innovation) and the duration of implementation (most larger projects take some time to construct and implement), the impact of such activities can be modelled in the EU economy at regional level using the RHOMOLO-EIB model.

The model suggests that operations supported by the EIB Group have a sizeable impact on the EU economy. Indeed, the model suggests that in the long term (by 2040) the investments supported by the Group over the course of the European Union's last long-term budget (2014-2020) may raise EU GDP by 4.7% above the baseline and create an additional 3.2 million jobs. The model also suggests that the boost may be even higher in the early years, but this result needs to be interpreted with caution given the current economic situation and related uncertainties. Results overall are in line with the literature, with an overall multiplier of impact on GDP per euro of project cost invested of around 0.6 in the short term and 0.4 in the longer term.

The more granular results, especially at regional level, vary quite substantially. The impact on less developed and transition regions is significantly higher than in more developed regions (see Figure 11). There are several reasons for this. The investment per GDP in cohesion, especially in less developed regions, is higher than in more developed regions. In addition, the impact of these

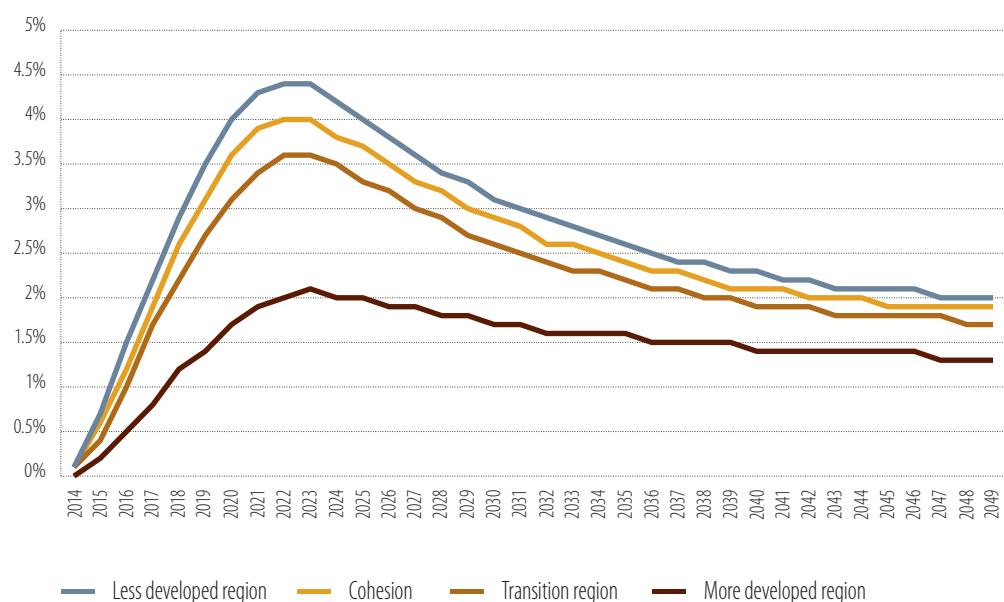
25. As estimated internally, using the 2021 definitions of less developed and transition regions: <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32021D1130&from=EN>

26. The methodology is well established and has been published in various forums. See: [EIB/JRC 2022, JRC 2028, Scientific Review Board 2017, Christensen et al. 2019](#).

investments in the short run is somewhat higher, especially when it comes to the impact on employment. Regions with higher unemployment rates have a greater pool of additional workers to draw from than regions with tight labour markets.

FIGURE 11: IMPACT OF EIB-SUPPORTED COHESION INVESTMENTS ON EMPLOYMENT (IN %) BY REGION TYPE

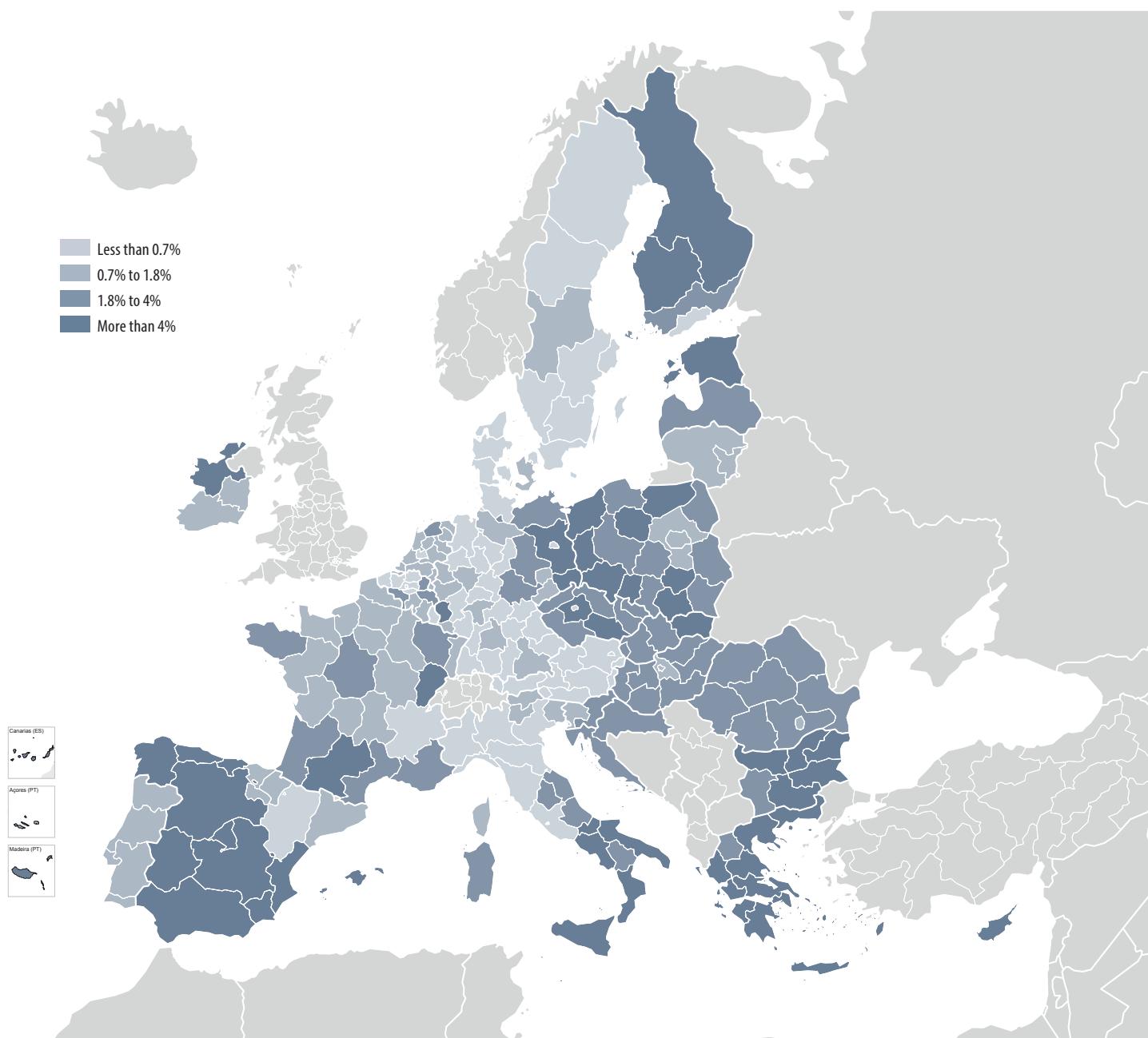
(EIB GROUP SIGNATURES 2014-2020)



The impact in cohesion regions is partly driven by the investments made locally but also includes the benefit from spillovers from investment in neighbouring and other regions further afield. For example, building a Trans-European Transport Network road in a more developed region may significantly benefit less developed regions too, as these may be connected or part of a transport corridor. Similarly, research and development activities in cohesion regions may also generate spillovers that benefit more developed regions. Typically, at a national level, such spillovers from other countries on employment are estimated to account for some 40% of the impact in the longer term. For EIB Group investments in cohesion regions, some 12% of the long-term impact can be explained by spillovers from EIB-supported investments in more developed regions. This, however, does not take into account spillovers between cohesion regions, which may be adjacent and have close economic ties. Transition regions, in particular, seem to benefit from investments in more developed regions. In some cases, it explains up to 34% of the impact on GDP and 47% of the impact on employment.

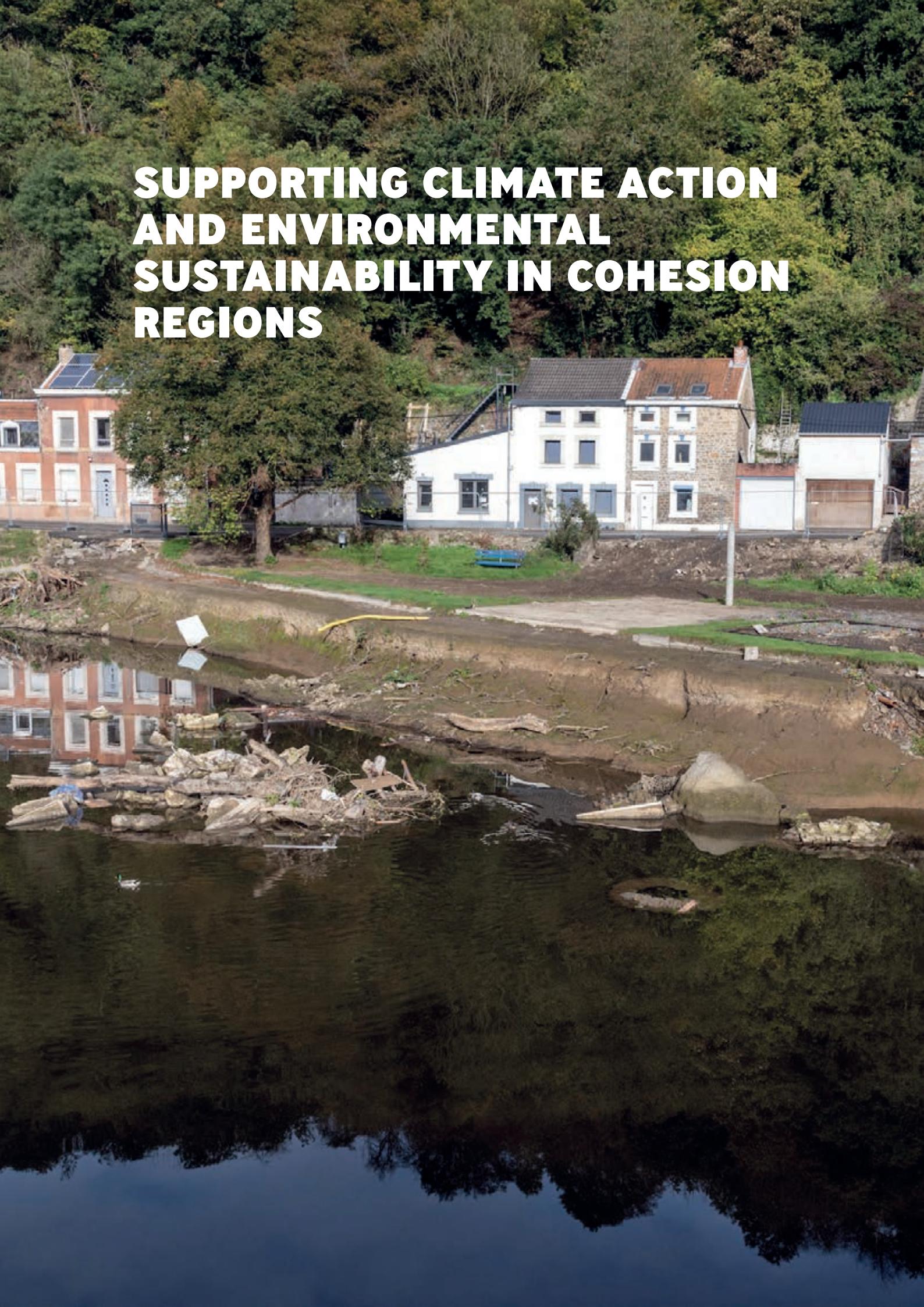


**FIGURE 12: LONG-TERM IMPACT OF EIB-SUPPORTED COHESION INVESTMENT (2040),
AT NUTS 2 LEVEL, IN QUARTILES % OF EMPLOYMENT OVER BASELINE**



When interpreting the results, several aspects should be considered, such as the notion of “over the baseline,” and what this means, etc. (as laid out in the methodology note, [EIB/JRC \(Joint Research Centre\) 2022](#)). It should also be remembered that the results are derived from a model that is unable to take into account all current events such as the immediate impact of the COVID-19 pandemic and global events, or guess the future to come for the next 30 years. Results should therefore be read as giving a sense of scope and direction based on a model that has proven to be sound and resilient to an extensive and rigorous sensitivity analysis. As such, it shows that the investments supported by the EIB Group can have a sizeable impact on cohesion regions, both directly and through spillovers.

SUPPORTING CLIMATE ACTION AND ENVIRONMENTAL SUSTAINABILITY IN COHESION REGIONS



THE RELATIONSHIP BETWEEN COHESION LENDING AND THE EIB'S CLIMATE AND ENVIRONMENT TARGET UNDER THE CLIMATE BANK ROADMAP

Financing Europe's transition to climate neutrality as anticipated in the European Green Deal will require substantial investment in renewable energy, energy efficiency and green transport. In 2020, the European Commission estimated that achieving the 2030 climate and energy targets would require an additional €260 billion a year in investment, corresponding to roughly 2% of EU GDP. The greenhouse gas emission reduction target for 2030 has since been increased (40% to 55%), implying the need for additional investment and for some investments to be brought forward²⁷.

Investments for climate action and a sustainable environment are not at the expense of cohesion objectives. On the contrary, climate investments can play a vital role in delivering on EU Cohesion Policy objectives and in paving the way for the green transition.

Increased support for climate action and environmental sustainability activities is particularly relevant for cohesion regions, as they have historically suffered from a lower level of public investment in climate mitigation, adaptation and environmental sustainability. Many of these regions are also more exposed to climate and environmental threats and will potentially be more significantly affected by the social and economic challenges of decarbonisation. This is confirmed by the high overlap between the just transition regions under the Just Transition Mechanism and cohesion regions.

The Bank's efforts to increase its overall support for cohesion regions is taking place in the context of its Climate Bank Roadmap, the plan the Bank adopted in 2020 to achieve its climate finance goals. That is, the new cohesion lending goals and the target of directing a significantly higher share of the Bank's lending to climate action and environmental sustainability by 2025 will need to be achieved jointly.

The Climate Bank Roadmap commits the EIB to devoting 50% of its total lending to climate action and environmental sustainability operations by 2025, while complying with the principles of the Paris Agreement and the "do no significant harm" criteria for the other 50%. Overall, the EIB is committed to supporting investment of €1 trillion for climate action and environmental sustainability over the decade 2021-2030. With high ambitions for both green and cohesion lending, the relationship between these public policy goals is important to understand.

Conceptually, one may approach the question from both a qualitative and a quantitative angle. The qualitative angle would look at the types of climate and environment projects that have the greatest positive effects on regional development by boosting employment, value added, tax revenues and welfare in the medium and long run (Box 1). The quantitative angle, by contrast, would take an "accounting" approach based on the EIB's understanding of cohesion as a territorial concept (map of NUTS 2 regions) and evaluate the intensity of climate action and environmental sustainability efforts — be it through economy-wide investment or EIB-supported investment — in cohesion regions as compared to non-cohesion regions or the European Union as a whole.

27. European Commission (2020), "Sustainable Europe Investment Plan", COM(2020) 21, p. 3.

The cohesion-climate nexus

The qualitative approach to the cohesion-climate issue discusses the merits of climate and environment projects for economic and social cohesion to show that cohesion and climate/environment goals may mutually reinforce each other. It also searches for ways for the EIB to strengthen the complementarity between the cohesion and climate goals in its projects. A preliminary review of the EIB's lending strategies and policies underscores the compatibility between the climate and cohesion goals even though the nexus between cohesion and sector objectives is rarely addressed explicitly.

A particularly suitable and topical example in reconciling cohesion and climate is the upcoming key role of the EIB in supporting the Just Transition Mechanism (JTM) under the Green Deal for Europe, which will constitute an integral part of the EIB Group's Climate Bank Roadmap 2025. The JTM supports regions facing particularly acute socioeconomic challenges resulting from the transition towards carbon neutrality.

In practice, 2021 lending data show that climate action and environmental sustainability and cohesion are interlinked priorities, with 23% of the Bank's lending volume being both climate action/environmental sustainability and cohesion under the new map.

In this context, the Bank is committed to increasing the share of its climate action and environmental lending across transition and less developed regions. In particular, its **mitigation** effort will be focused on the following key areas:

- green transport through increased investment for rail and urban mobility;
- clean energy;
- green cities, including green buildings, renaturing and green urban development in line with the 15-minute city concept;
- green innovation such as investments in developing the next generation of batteries as well as green hydrogen.

The Bank will also support **adaptation** measures and investments in the following areas:

- dykes, flood defence and water security investments;
- ecosystem-based approaches;
- new resilient infrastructure;
- retrofitting existing infrastructure to take into account climate change;
- disaster resilience investments at regional and local level.

In the area of **environmental sustainability**, investment needs are still significant, especially in less developed regions, calling for EIB support in areas such as:

- sustainable water management and wastewater treatment;
- circular economy;
- bioeconomy (afforestation, sustainable agriculture and forestry, bio-based industry and manufacturing);
- nature-based solutions for flood risk prevention and flood protection infrastructure;
- remediation of brownfield and/or contaminated sites and buildings, including subsequent site renaturalisation or redevelopment.

Recent developments in lending to cohesion regions — defined as the less developed and transition regions of the European Union — underlines the ample scope for more climate action in cohesion. The share of climate action in cohesion lending used to be less than for the European Union overall, averaging 23% of total cohesion lending in the period 2014-2020, compared with a share of 27% in total EU lending. The share of climate action in cohesion lending hovered around 20% between 2014 and 2018 while the share of climate action for the European Union as a whole started to rise (**Figure 13**). In 2020 and 2021, however, climate lending in the European Union increased sharply (to 40% in 2020 and 50% in 2021) and for the first time, lending to cohesion regions was more climate action-intensive (just under 55%) than lending to other EU regions.

At the same time, the share of cohesion lending (red triangles in Figure 13) also increased sharply between 2020 and 2021 as the EU cohesion map was redefined and many more transition regions were added. The value of climate action in cohesion in 2021 is thus not directly comparable with that for the previous period because the underlying definition of what constitutes a cohesion region changed at the start of the 2021-2027 EU programming period. Many of the (formerly more developed) cohesion regions are located in France and Finland where the Bank has a strong record of climate action (see below).

FIGURE 13: SHARE OF CLIMATE ACTION IN TOTAL EU LENDING AND IN COHESION LENDING, 2014-2021

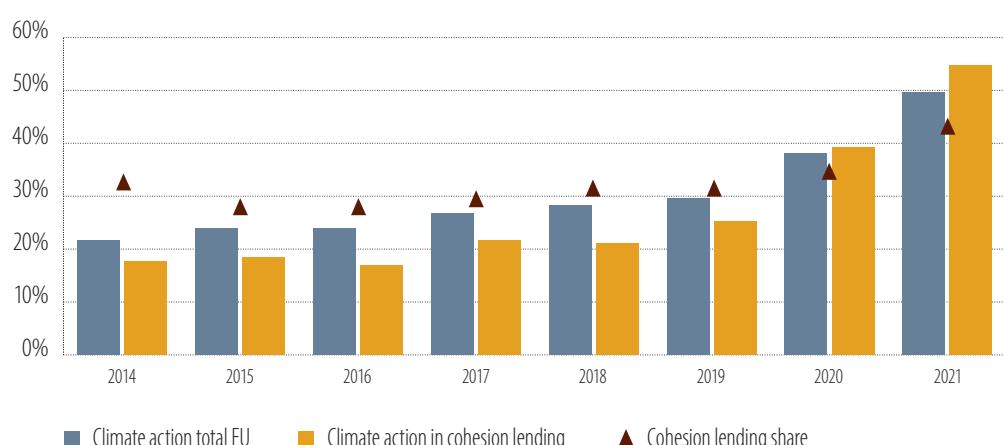
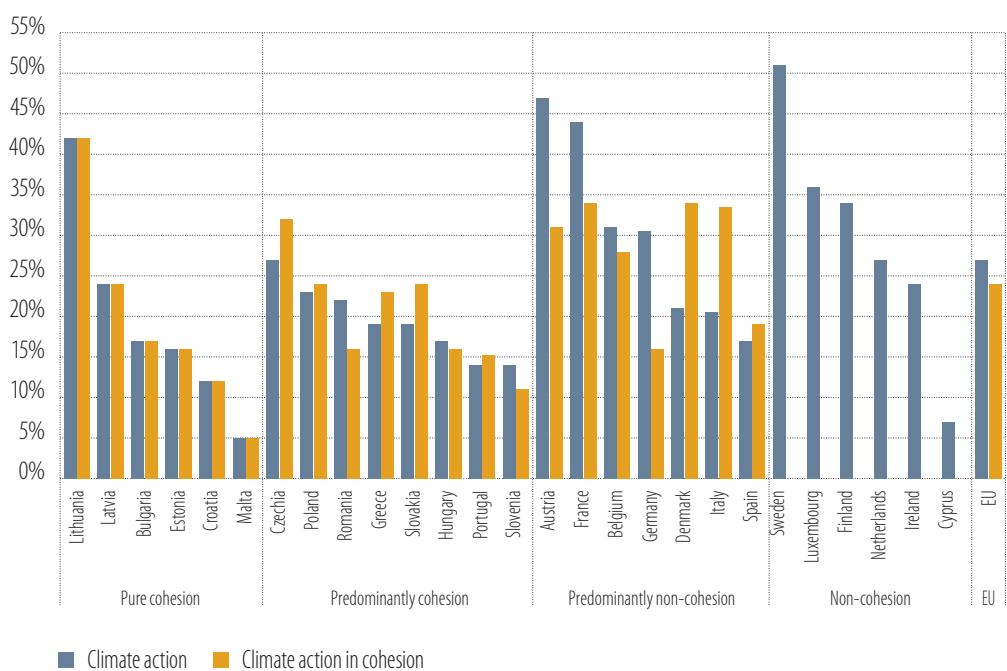


Figure 14 below focuses on differences in climate action lending between countries, showing the share of climate action in cohesion lending and the share of climate action in total lending to the European Union and each Member State in the period 2014-2020. It shows that countries that had no cohesion regions (Sweden, Finland) or only a few cohesion regions (Austria, Germany, France) had climate action shares well above the EU average. It is this “wealthy country effect” that drives the finding of higher climate action in non-cohesion regions compared to cohesion regions for the European Union as a whole.

However, within Member States, the pattern is more nuanced. The proportion of climate action lending is significantly higher in cohesion regions than for the country as a whole in Czechia, Greece, Slovakia, Italy, Spain and Denmark. This shows that there does not need to be a trade-off between climate action and cohesion.

**FIGURE 14: CLIMATE ACTION SHARE BY MEMBER STATE 2014 TO 2020:
OVERALL AND IN COHESION LENDING**
IN % OF RELEVANT EIB LENDING TOTAL



Notes: Countries sorted by decreasing climate action percentages within each group. For better readability, countries are sorted into four groups (countries only consisting of cohesion regions, mostly consisting of cohesion regions, mostly consisting of more developed regions and countries without cohesion regions in the 2014-2020 period, respectively). Climate action in cohesion is estimated by multiplying the share of climate action in the project investment cost by the cohesion share of the project. The climate action in cohesion percentage shown is climate action in cohesion divided by total cohesion lending to the country. For a pure cohesion country (such as Latvia), the climate action in cohesion percentage is equal to the climate action share of total lending to the country by definition.



At the beginning of 2021, the EIB introduced environmental sustainability as an additional horizontal policy objective alongside cohesion and climate action. Given the considerable overlap between climate action and environmental sustainability, the aggregate volume of lending to the two priorities (net of “double counting”)²⁸ is also calculated. This is a key indicator for the Climate Bank Roadmap²⁹, which targets 50% of EIB Group lending to climate action and environmental sustainability by 2025.

In 2021, the proportion of lending to these two priorities in cohesion regions amounted to just under 55.5%, which is slightly more than their overall share in total EU lending (52%). These figures are close to those reported for 2021 in Figure 13 above because the incremental contribution from environmental sustainability is small (1-2 percentage points) once the overlap is removed.

28. Some projects have a double benefit on climate and environmental sustainability (for example, a new forest area).
29. [The EIB Group Climate Bank Roadmap 2021-2025](#).

CLIMATE ACTION AND ENVIRONMENTAL SUSTAINABILITY IN THE EIB'S COHESION LENDING DURING THE 2021-2027 EU LONG-TERM BUDGET

To demonstrate the role that EU policies and instruments can play in the EIB Group's lending to cohesion regions, the following paragraphs include illustrations of several such policies and instruments: EU Cohesion Policy, the Just Transition Mechanism, the Modernisation Fund, advisory support and bilateral financial instruments.

EU COHESION POLICY

During the current EU long-term budget 2021-2027, a new set of rules in the EU Cohesion Policy Funds should help stabilise or increase the proportion of cohesion lending dedicated to climate action and environmental sustainability. For example, all Member States will have to spend at least 30% of their resources from the European Regional Development Fund on the "Greener Europe" objective, which is broadly equivalent to climate action and environmental sustainability. This is a significant increase from the 12%-20% requirement of the previous programming period.

Since the Cohesion Policy Funds represent the cornerstone of government investment programmes in the poorer Member States, the higher "Greener Europe" shares will have a positive impact on the pipeline of projects in these countries.

JUST TRANSITION MECHANISM

As part of the Green Deal, the **Just Transition Mechanism** will bring forward additional climate action and environmental sustainability projects for the Bank during the 2021-2027 programming period. In its Climate Bank Roadmap 2025, the EIB Group has committed to supporting a "just transition for all," and the EIB Board approved the EIB Group's comprehensive proposal to support the Just Transition Mechanism in December 2021³⁰.

The Just Transition Mechanism is expected to mobilise close to €55 billion in total investment over the coming seven years through its three pillars³¹:

- Just Transition Fund, a new European Structural and Investment Fund (ESIF) with co-financing opportunities for the EIB, expected to enable total investment of approximately €25 billion;
- Just Transition scheme under InvestEU (75% of which is expected to be implemented by the EIB Group), with a volume that will depend on InvestEU activity in the most affected regions; and
- Public sector loan facility, to be implemented by the EIB, including €1.525 billion for grants, to be combined with up to €10 billion of EIB lending, and €35 million for advisory support.

30. See the EIB Group Climate Bank Roadmap (Chapter 3) and Supporting the Just Transition Mechanism – comprehensive proposal of the EIB Group.

31. https://ec.europa.eu/info/strategy/priorities-2019-2024/european-green-deal/finance-and-green-deal/just-transition-mechanism_en.

The European Union's target of a 55% reduction in greenhouse gas emissions (compared to the level of 1990) cannot be achieved without an exit from coal mining and coal-fired power production. It will also require a substantial contribution from basic manufacturing industries, where rising CO₂ prices will force massive investment in energy efficiency, a switch in fuels for heat production, or plant closures.

The Just Transition Mechanism provides targeted support to help address the socioeconomic and environmental challenges that derive from the transition to a low-carbon economy in the regions most dependent on coal and heavy industry. Around 80% of the "most affected territories" that will benefit from the mechanism are located in cohesion regions. This underlines both the size of the challenge in turning these regions around and the strong synergies between cohesion and just transition. Indeed, many of the regions that the European Commission proposes to support with the Just Transition Mechanism are among the highest emitters of greenhouse gases per unit of GDP.

Not all of the Just Transition Mechanism's projects will be related to climate action and environmental sustainability but a significant number are likely to be so due to the typical challenges experienced by mining and "old industrial" regions with regard to the energy transition and environmental rehabilitation.

JASPERS and other EIB advisory services under the InvestEU Advisory Hub offer support for preparing transition strategies and plans, especially their link to other investment programmes, and for mobilising private sector investment. JASPERS is already active in 16 regions across five Member States (Greece, Poland, Romania, Slovakia and Czechia) to support Just Transition Fund-eligible projects and the just transition to a carbon-neutral economy.

THE MODERNISATION FUND

The Modernisation Fund is a good example of how the Bank can contribute strongly to cohesion and climate objectives simultaneously within an EU initiative.

The Modernisation Fund is designed to support the delivery of the Green Deal in the ten EU Member States with the lowest gross national income whose territories are mostly classified as less developed regions. The Fund is intended to help these Member States modernise their power sectors and wider energy systems by investing in renewable energy and energy efficiency. It also helps support a just transition by investing in skills, education, job-seeking initiatives and startups.

The EIB is responsible for key elements of the Modernisation Fund, including the monetisation of the emissions certificates to support investments, which began in February 2021. The Bank provides the secretariat for the Fund's investment committee and is also responsible for assessing the eligibility and the technical and financial viability of investment proposals.

In 2021, the first year of its operation, the Modernisation Fund completed two investment cycles, disbursing approximately €900 million in funds to eight out of the ten beneficiary Member States³². A total of 26 projects received funding support, with all but one being categorised as priority investments.

32. The EU Member States benefiting from the Modernisation Fund are Bulgaria, Croatia, Czechia, Estonia, Hungary, Latvia, Lithuania, Poland, Romania and Slovakia.



GREEN TRANSITION AND ADVISORY SUPPORT IN COHESION AREAS

The European Green Deal aims to make Europe the first climate-neutral continent by 2050. Recent geopolitical developments have highlighted the benefits of diversified energy sources and given an additional impetus to accelerate the green transition. There are immense financing needs, which will require the mobilisation of a significant amount of private and public funds and increased delivery capacity. According to the EIB Investment Survey (EIBIS) 2020³³, the perceived investment gaps for firms are larger in cohesion regions and their access to finance is reported to be more limited as well. Generally, more firms in cohesion regions report investment obstacles such as a limited availability of skills and issues related to transport, demand for goods and services, financing and energy. In regard to climate change, the share of firms in less developed regions that expect to be impacted by climate change is higher but, at the same time, fewer firms have already invested to tackle this expected impact than in non-cohesion regions. Lastly, one of the most reported obstacles to climate action investments is their cost.

In light of the green transition, the EIB will provide enhanced financial and advisory support to economically weaker areas to help them achieve the European Union's climate ambitions and withstand the challenges that this transition entails. This includes a wide range of financing products for the public and private sectors, co-financing projects alongside EU and national public funds, and designing and implementing financial instruments on behalf of managing authorities.

The **JASPERS** initiative (Joint Assistance to Support Projects in European Regions), an advisory service managed together by the EIB and the European Commission, is a key pillar of the Bank's approach to cohesion. The objective of this instrument is to speed up the absorption of funds from the European Structural and Investment Funds (ESIF), the Connecting Europe Facility (CEF) and the Just Transition Fund (JTF). JASPERS is dedicated to facilitating the cohesion of European regions and its activities help Member States to plan better projects and to find funding for sustainable transport, climate change mitigation, innovation, healthcare, disaster prevention, the circular economy and green transition.

JASPERS assists Member States, regions, cities and even transport companies in preparing their climate resilience plans or drafting climate proofing technical guides.

For example, the programme:

- supports Poland in the field of stormwater management and adaptation to climate change;
- underscores the application of technical guidance on climate proofing of infrastructure in the period 2021-2027 in Romania;
- backs the Regional Government of Andalusia in the preparation of the Environmental Plan of Andalusia;
- assists the Canary Islands with its Sustainable Transport Plan;
- supports Infraestructuras de Portugal in the preparation of its Climate Change Resilience Plan.

33. [Regional Cohesion in Europe 2020-2021: Insights from the EIB Investment Survey](#).

Technical and financial experts are present in six locations (Luxembourg, Brussels, Bucharest, Sofia, Vienna and Warsaw) providing targeted advisory support to the relevant counterparts during the whole life cycle of projects, starting from identification of pipelines, selection and prioritisation through development and approval. Through its capacity-building activities, the programme helps to develop the technical capacity of public authorities and beneficiaries by transferring knowledge about project preparation, environmental issues and EU legislation. JASPERS is also working in five Member States to help the Just Transition Fund identify potential projects.

In the field of energy efficiency and renewable energy, the Bank's European Local ENergy Assistance (ELENA) programme is very active in cohesion regions. ELENA provides support to project promoters by offering technical assistance for the preparation and implementation of energy efficiency projects for buildings and transport. This covers activities such as technical studies, energy audits, business plans and the preparation of public tenders. In addition to ELENA, advisory support of all kinds can be accessed through the EIB Advisory Hub and can also be provided to assist the development of business opportunities in areas such as green innovation, helping emerging technologies to reach demonstration and scale-up and also supporting financial intermediaries to further strengthen their own green investment capabilities.

The EIB's new Cohesion Orientation aims to dedicate a significant percentage of annual lending to cohesion areas³⁴ placing emphasis on green projects, while the Bank will also be a key implementing partner of the Just Transition Mechanism and InvestEU. In addition to these initiatives, a significant amount of additional EU and national public funds will be channelled into projects and initiatives for climate action and environmental sustainability over the current EU budget (2021-2027), including activities announced in the recent REPowerEU communication. About 30% of the total EU budget has been earmarked for climate objectives, while the Recovery and Resilience Facility sets an even higher climate target of 37%. The combination of these various EU funding streams is significant and represents a unique opportunity for cohesion areas to accelerate the green transition by scaling up climate-related green investment programmes and enhancing related delivery and implementation capacities.

However, public sector funding support will not be enough to close the existing investment gaps across all sectors. In sectors such as energy efficiency, to reach EU targets, private sector investment must also be mobilised and structures developed that provide project promoters with sufficient incentives. National promotional banks and institutions, agencies and commercial banks will also need to play a key delivery role and be sufficiently resourced and supported to develop increased investment capacities in these key sectors.

In order to respond to some of these challenges and underpin new investment in energy efficiency and renewable energy, the EIB has been working in partnership with the European Commission under the fi-compass platform³⁵. The model instrument, which was launched as part of the REPowerEU package, aims to provide a blueprint that can be adopted by public authorities looking to create new financing structures that make more sustainable use of public sector funding and leverage private sector investment. The model instrument proposes a combination of grant and repayable financing support and can be further sustained by EIB financing, fund management and advisory services. It builds upon successful similar instruments already implemented in Lithuania³⁶.

34. An orientation of 40% of the Bank's total EU lending to be located in cohesion regions (those with a GDP per capita below the EU average), aiming to reach 45% by 2025, using reasonable endeavors, and a KPI of 20% of total EU lending to be located in less developed regions (those with a GDP per capita of less than 75% of the EU average), rising to 23% by 2025.

35. www.fi-compass.eu.

36. www.fi-compass.eu/publication/case-studies/residential-energy-efficiency-financial-instruments-lithuania.

The EIB's advisory services can support public authorities interested in adopting the model in their own Member State by helping them to explore the feasibility of proposed structures in their specific markets. The Bank can also provide capacity building and training, where necessary. Given that the deployment of such instruments will require the involvement of commercial banks acting as financial intermediaries, further training and capacity building specifically aimed at financial intermediaries are also available. To date, the majority of interest in this type of backing has been expressed by financial intermediaries operating in cohesion areas. An example of the support already in place for financial intermediaries that are working with the EIB is the green eligibility checker, a recently launched online tool which is available on the EIB website³⁷.

Supporting public authorities to maximise the potential of public resources is a key priority for the EIB's advisory services and especially relevant in cohesion areas that will need to deploy a greater number of investment schemes to accelerate their growth. Previous examples of this type of support include the advisory work undertaken to provide additional financing and advisory capacity in Bulgaria through support to the fund manager of financial instruments (fund-of-funds)³⁸ and also to the Fund for Local Authorities and Governments, known as FLAG. This support, which can help public authorities to calibrate funding sources to financing needs, can also significantly increase the volume and efficacy of public and private sector investments.

Another example of the advisory offer available to cohesion regions is under the Just Transition Mechanism, presented earlier in the report. Under the Just Transition Mechanism, the EIB will provide additional advisory assistance to support the development of project pipelines, including specific project preparation support, support in compliance with project eligibility and maturity requirements, and capacity building for public authorities and project promoters.

SUPPORT THROUGH BILATERAL FINANCIAL INSTRUMENTS

The EIB Group supports EU Member States and regions in efficiently investing public funds through the establishment and management of financial instruments. These instruments are mainly funded by EU shared management funds (previously known as European Structural and Investment Funds or ESIF)³⁹ and the Recovery and Resilience Facility. Targeting economically viable projects, financial instruments support investments by way of loans, guarantees and equity. They address market failures and sub-optimal investment conditions, so contributing to the economic, social and territorial cohesion of the European Union as well as its green and digital transitions and the recovery from the pandemic.

Unlike grants, financial instruments have a revolving feature, as the invested funds are eventually repaid and can be reused to support new projects. Financial instruments also create strong incentives for successful project implementation and are effective at mobilising additional financial resources from the private sector to maximise and leverage the impact of public funds.

The EIB Group has unique expertise in this field, dating back to the JESSICA and JEREMIE programmes, which were established during the 2007-2013 Multiannual Financial Framework, the European Union's long-term budget. These programmes were implemented to support sustainable urban development projects and to improve small and medium enterprises' access to finance.

37. [EIB Green Eligibility Checker](#).

38. [FMFIB: Fund Manager of Financial Instruments in Bulgaria – a multi-sector fund of funds | fi-compass](#).

39. More information online: [Shared management funds and financial instruments \(eib.org\)](#).

The EIB Group support provided to EU Member States and regions combines fund design, set-up and management with co-financing and dedicated advisory services. The sectors they target are particularly relevant for cohesion regions. They include energy efficiency, renewables, research and innovation, urban development, agriculture, human capital and skills.

Through its bilateral financial instruments, the EIB Group has a significant impact across thematic areas and geographies, which benefits cohesion regions. Today, the EIB manages nearly €10 billion on behalf of EU Member States and regions. Some 5 400 projects in Greece, Italy, Poland, Spain, Portugal, Lithuania and Cyprus have so far benefited from these instruments. Furthermore, the EIF manages almost €6.5 billion of financial instruments with a focus on cohesion regions. These instruments have supported about 65 000 SMEs and have catalysed almost €10 billion of financing.

EXAMPLES OF FINANCIAL INSTRUMENTS MANAGED BY THE EIB

SUPPORT FOR AGRICULTURE AND AGRIFOOD IN ANDALUSIA

In order to promote the development of Andalusia's agricultural and agrifood sectors, the EIB was mandated by the regional government of Andalusia to establish and manage an innovative guarantee fund of up to €50 million. The aim of this financial instrument is to enhance access to finance, improve financial conditions and preserve and create job opportunities in this cohesion region. The guarantee fund is co-financed by the European Agricultural Fund for Rural Development and the regional government of Andalusia.

Under this instrument, the EIB issues guarantees to financial intermediaries to partially cover the portfolio credit risk of loans financing new projects. The objective is to mobilise private resources of up to five times the amount of public funds contributed. The funds are used to enhance the competitiveness of businesses, for instance through the renovation of farms, increased production capacities, improved product quality and the employment of new technologies and innovative methods in the pursuit of sustainability. The fund's objectives include support for young farmers and new companies. The first guarantee agreement with a financial intermediary was signed in 2021.

INVESTING IN ENERGY EFFICIENCY AND RENEWABLE ENERGY IN CYPRUS

This €80 million financial instrument, established in Cyprus with resources from the 2014-2020 EU long-term budget, focuses on supporting the low-carbon economy, including energy efficiency in public and private buildings (such as residential and office buildings, street lighting, factories, hospitals, the tourism sector), as well as the installation of renewable energy generation systems. In 2021, an agreement with the first financial intermediary was signed. The fund targets individuals and public and private entities to promote the island's green transition.



RESIDENTIAL ENERGY EFFICIENCY IN LITHUANIA

This financial instrument was set up by the EIB on behalf of Lithuania's Ministries of Finance and of Environment during the 2014-2020 programming period to support energy efficiency projects in apartment buildings. The instrument used €250 million from the European Structural and Investment Funds and successfully mobilised an additional €480 million in private co-financing. By the end of 2021, more than 1 700 projects had been financed throughout the country. The instrument has contributed to the development of a single product for homeowners known as the Modernisation Loan, which forms the centrepiece of the Lithuanian government's programme to improve energy efficiency in residential properties. The instrument contributes to the sustainable use of public finances, while reducing household energy bills and the country's energy dependence. In Lithuania, the national authorities also combine grants with the financial instrument to fund technical support, interest rate subsidies and capital rebates.

COVID-19 EMERGENCY RESPONSE IN ITALY

In 2020, the EIB set up a platform in Italy dedicated to supporting companies hit by the COVID-19 crisis in the island regions of Sardinia and Sicily. The instrument combines loans and grants employed under the State Aid Temporary Framework. By the end of 2021, after just one year of operation, more than 160 companies had received financial support totalling nearly €150 million, contributing to the resilience and recovery of the local economies and preventing job losses.

EXAMPLE OF A JOINT EIB GROUP FINANCIAL INSTRUMENT

SME INITIATIVE ITALY

Launched in 2016, the SME Initiative (SMEI) Italy is co-financed by the Republic of Italy, the European Commission and the EIB Group — the European Investment Bank together with the European Investment Fund — with the EIF managing the scheme on behalf of the different contributors.

SMEI Italy is a public-private partnership acting as a catalyst for private investment and supporting economic growth and job creation in southern Italy (the so-called “Mezzogiorno”), which includes eight cohesion regions: Abruzzo, Basilicata, Calabria, Campania, Molise, Puglia, Sardinia and Sicily.

To this end, it entails an innovative use of European Structural and Investment Funds combining the latter with additional national resources, the EU central budget (resources from the programme for the Competitiveness of Enterprises and Small and Medium-sized Enterprises, COSME) and EIB Group funds.

Under SMEI Italy, the EIF will use securitisation structures (both funded and synthetic/unfunded) to enter into securitisation transactions of existing portfolios of debt finance to support SMEs and small mid-caps. The selected financial intermediaries shall in turn undertake to provide new lending, at more favourable terms, to SMEs located in the Mezzogiorno cohesion areas.

To date almost 5 000 SMEs and small mid-caps have been supported in these eight regions with over €1 billion of financing catalysed.

EXAMPLES OF FINANCIAL INSTRUMENTS MANAGED BY THE EIF⁴⁰

DEVELOPING THE VENTURE CAPITAL AND PRIVATE EQUITY ECOSYSTEM IN THE BALTIcs

Venture capital and private equity were almost non-existent in the Baltics a little over ten years ago. The financial ecosystem for early stage companies and startups has improved immensely since then, however, thanks to the work of governments in the region and the EIF and JEREMIE programmes launched in Lithuania and Latvia in 2009. With continued EIF support, the three countries in the region — Lithuania, Latvia and Estonia — have since combined forces to develop the regional venture capital and private equity scene further, investing in the first pan-Baltic fund-of-funds. Since 2013, the Baltic Innovation Fund has provided strong stimulus to the market and helped to attract private institutional investors to this asset class. The Baltic Innovation Fund’s two funds are expected to channel over €1 billion in equity investments to innovative companies in the region.

40. More information online: [Country and sector-specific initiatives \(eif.org\)](http://eif.org).



LA FINANCIÈRE RÉGION RÉUNION

This fund-of-funds was established in 2017 in the French Indian Ocean department of La Réunion. Under this mandate, mobilising resources from the ERDF, the EIF implements and manages two financial instruments to support small and medium-sized enterprises, including micro-enterprises.

- (i) A portfolio risk-sharing instrument with a generalist focus to support SMEs (without any specific constraints in terms of sector or activity) and to improve their access to finance (through reduction of interest rates and/or collateral requirements) and;
- (ii) An equity co-investment instrument that aims to strengthen the SME equity ecosystem in the region.

To date, over 450 SMEs active in key sectors and located across all the urban areas of the island have been supported through this initiative. 99% of these are micro-firms and 90% of them have been active for less than five years. By strengthening the overall financial ecosystem of the island, this mandate brings significant economic impact to this less developed region, especially in terms of job creation, value chain development, attraction of external investors and expansion of local SMEs.

THE GREEK ESIF FUND-OF-FUNDS

The EquiFund initiative was the largest ESIF-funded equity mandate to be entrusted to the EIF during the 2014-2020 EU long-term budget. Its objective is to develop the equity market in Greece. The original €200 million allocation by the Competitiveness Operational Programme was coupled with resources from both the EIF and the EIB through the use of the European Fund for Strategic Investments. The nine selected fund managers achieved further leverage of other market-oriented investors, boosting the overall size of the facility to more than €500 million.

By the end of March 2022, the end of the fourth year of investment activity, €248 million had been invested in 129 companies employing almost 4 000 staff at the time of first investment. Overall, the portfolio covers a wide range of sectors of economic activity in all regions of Greece and across the investment stages of venture capital and private equity.

The initiative has already yielded significant results on the ground: a number of successful exits have already been realised, including the biggest deep tech startup exit ever in Greece based on publicly available data, a record exit for a Greek startup back in 2020 and a portfolio company attracting the interest of a global sector leader.

The legacy of the initiative is being built even before the end of the investment period with companies securing further funding from outside investors and two successor funds achieving first closures.

EIF AND CDP JOIN FORCES TO BOOST UNIVERSITY SPIN-OUTS IN ITALY

In December 2016, the EIF and Cassa Depositi e Prestiti (CDP), the Italian national development bank, signed a management and co-investment agreement concerning ITAtech. A €200 million investment platform, ITAtech is devoted to investing in spin-outs from Italian universities and research centres, including those at the proof-of-concept stage. ITAtech is structured as a fund-of-funds supporting fund managers focused on the technology transfer market segment. ITAtech aimed to invest in four to six technology transfer intermediaries fully dedicated to the Italian market.

Even though the Italian technology transfer market was significantly underdeveloped compared to the EU average, ITAtech managed to fully commit its resources well in advance of its four-year investment period. ITAtech invested in five funds, which managed to raise about €100 million in additional funds from private investors, bringing the total resources mobilised by the programme at the level of the funds to about €300 million. Most of the additional investment has come from private Italian companies, confirming the interest of the market and further developing the ecosystem in which corporates and research institutes ultimately collaborate for the same objectives.

Although still in its investment period, ITAtech has already invested a total of €120 million in 100 final beneficiaries, which is roughly three times the total volume of technology transfer investments in Italy in the eight years before ITAtech's launch.



EIB GROUP ACTIVITIES IN EU COHESION REGIONS

2021



The **EIB Group** consists of
the European Investment Bank and
the European Investment Fund.

print: ISBN 978-92-861-5370-9
eBook: ISBN 978-92-861-5368-6
pdf: ISBN 978-92-861-5369-3

EN 09/2022