2023

EIB GROUP ACTIVITIES IN EU COHESION REGIONS

European Investment Bank | Group

EUROPEAN INVESTMENT BANK GROUP

2023

EIB GROUP ACTIVITIES IN EU COHESION REGIONS

Building inclusive communities

European Investment Bank | Group

EIB Group activities in EU cohesion regions, 2023

European Investment Bank
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In nature, no organism exists without some relation to another one. Oxpeckers nourish themselves on the parasites they clean from the fur of a zebra. A clownfish shelters among the tentacles of an anemone, while fertilising it with its waste. Plovers clean the teeth of the Nile crocodile and, in doing so, feed themselves. The covers of our reports highlight these symbiotic, natural relationships this year, because they mirror the different levels on which each European Investment Bank project operates. When we finance infrastructure or innovation, we seek also to ensure that the project bolsters climate action or environmental sustainability. By investing in startups or green energy, our public finance encourages private investment that might otherwise have been withheld. In a world where humanity seems so often to be at odds with itself, we hope these images of natural collaboration will inspire readers to cross boundaries and build new partnerships.

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FOREWORD
BY KYRIACOS KAKOURIS

EUROPEAN INVESTMENT BANK VICE-PRESIDENT

As we celebrate 20 years since the biggest enlargement in the European Union's history, let us also celebrate the achievements of European integration and the success of EU cohesion policy, which has driven two decades of socioeconomic convergence.

Addressing economic and social convergence across the European Union lies at the very heart of the European Investment Bank Group's mission. In 2021, we adopted an ambitious new orientation for cohesion in which we aimed to increase our lending in both transition and less developed regions, while maintaining our focus on climate action and environmental sustainability.

As you will see in this report, we are delivering on these commitments and devoting other substantial resources to cohesion. Two-thirds of our advisory services target cohesion regions, providing comprehensive support tailored to the needs of public authorities, financial institutions and project promoters. This work is instrumental in speeding up the green and digital transition in these regions.

Cohesion policy is unique as it provides a European framework together with support for specific projects that have a direct impact on economic, social and territorial development and bring tangible benefits to individuals, businesses and local communities. To Europeans it is the most visible face of EU solidarity.

For all these reasons, cohesion remains one of our strategic priorities for the future. As recently announced by EIB President Calviño, the EIB Group aims to contribute to a "modern cohesion policy" – a policy that is more efficient and impactful. People will only come or stay in their city or region if they have affordable housing, and good access to education, healthcare and employment. Without these, regions risk losing skills, talents and people. Without people, regions cannot thrive. Without thriving regions, EU cohesion is at risk and Europe's competitiveness is undermined.

The path to greater competitiveness and stronger cohesion lies in a holistic approach that brings together all our efforts to leverage the strengths of both the public and private sectors, at both the EU and national levels. Together we are stronger and we can only rise to the challenges ahead by acting in unity and solidarity.

FOREWORD BY ELISA FERREIRA

EUROPEAN COMMISSIONER FOR COHESION AND REFORMS

Jacques Delors said it, and it remains true to this very day: every widening or deepening of Europe must be accompanied by reinforced cohesion. This is the firm foundation on which the European social market economy has been built.

From the creation of the European Economic Community, to the launch of the single market and the Economic and Monetary Union, to several EU enlargements, cohesion policy has been fundamental to every step of European integration. And the need remains: while the EU economy has grown significantly over the past few decades and convergence has taken place, disparities still persist – and could be exacerbated by ongoing and future structural changes. Cohesion policy therefore plays a central role in supporting sustainable development, while correcting market failures and ensuring that the benefits from these key integration milestones are evenly spread across Europe.

Over time, cohesion policy and EIB funding have been a reliable source of support and investment for the EU economy and businesses, delivering public goods for our people.

This is our joint objective with the EIB, which for many decades has been an invaluable partner to the European Commission in the implementation of cohesion policy. Joint initiatives, such as JASPERS and fi-compass, are proof of a successful cooperation that delivers results on the ground, assisting Member States in the implementation of cohesion policy. More recently, our cooperation has evolved to help bring about a fair green transition, through the Public Sector Loan Facility that is part of our Just Transition Mechanism.

I highly appreciate the Bank's commitment to make cohesion a top priority. In particular, I welcome the Bank's achievement of devoting at least 40% of its total financing in the European Union to projects in cohesion regions – and its commitment to increase this objective to at least 45% from 2025. EIB-supported cohesion projects provide job and education opportunities, access to public infrastructure and services, and a healthy and sustainable environment. These contribute to balanced regional development that leaves no one behind, strengthening Europe's economy and society.

Taking stock of achievements also means drawing lessons for the future. And these lessons include the need for simplification, tailored support, and strengthening the administrative capacity of beneficiaries. The European Commission and the EIB will continue working together on this endeavour. We will keep delivering value for our people, proving that economic efficiency and equity are two sides of the same coin.

INTRODUCTION

"No Community could maintain itself nor have a meaning for the people which belong to it so long as some have very different standards of living and have cause to doubt the common will of all to help each Member State to better the condition of its people." [1]

The European Union's cohesion policy aims to promote economic, social and territorial cohesion between the different regions of the European Union to achieve a convergence of living standards and prosperity. By tackling regional imbalances, such as differences in gross domestic product (GDP), in employment opportunities, the ability to benefit from globalisation or varying exposures to the negative impacts of climate change, the policy contributes to the harmonious development of the European Union and reduces risks of fragmentation. Cohesion priority regions are defined by the EU cohesion policy map for the current programming period and fall into the two categories: (i) less developed regions, where GDP per inhabitant is less than 75% of the EU average, and (ii) transition regions, where GDP per inhabitant is between 75% and 100% of the EU average. The EU cohesion policy for the 2021-2027 programming period pays special attention to all regions where economic development is below the EU average.

Cohesion was one of the original reasons behind the foundation of the European Investment Bank (EIB) in 1958 and remains one of the EIB Group's core priorities. Comprising the EIB and the SME-focused European Investment Fund (EIF), the Group provides loans and other financial instruments that complement and leverage EU grants to support investments in cohesion regions. These investments support competitiveness, help regions in their digital and green transitions, and target social inequalities by providing employment and educational opportunities, access to public infrastructure and services, and a healthy and sustainable environment. All the EIB Group's financing for projects in less developed and transition regions counts towards its cohesion lending. Additionally, the Bank 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.

In 2021, the EIB adopted a new Cohesion Orientation for 2021-2027 that calls on the Bank to raise its lending in cohesion regions to 45% of its total lending in the European Union by 2025. It also calls for just over half the amount, 23%, to go towards less developed regions. Support for the green transition and innovation are prominent, as is the role of advisory support to accelerate investment. Cohesion has also become a key performance indicator for the EIF, which set a goal of increasing its cohesion-dedicated activity volumes from 38% to 40% by 2023. Overall, the EIB's lending to cohesion has grown compared to the 2014-2020 programming period, reaching €29.8 billion in 2023, of which €17.1 billion went to less developed regions. A large share of this supports the green transition of cohesion regions (60% in 2021-2023).

This report analyses the EIB Group's activity in cohesion regions in 2023, with particular emphasis on targeted social investments in key systemic enablers in those regions, such as access to essential services (such as inclusive healthcare and education, social and affordable housing), digital connectivity and the growth of mid-caps and small and medium-sized enterprises (SMEs), the latter with a particular focus on women entrepreneurs and youth. The EIB Group is driven by evidence that investments in productivity, well-being and social cohesion are needed to boost continued growth, regional development and equality of opportunity across the European Union, particularly in today's evolving and, at times, increasingly polarised environment.

1. Commission of the European Communities, "Report on the Regional Problems in the Enlarged Community (Thomson Report)", COM (73) 550 final, 3 May 1973.

The Group's support for economic, social and territorial cohesion is presented in relation to its policy objectives, activity sectors, countries of operation, contribution to the United Nations' Sustainable Development Goals (SDGs) and sector-specific project outcomes. While acknowledging convergence between countries, the report's essay section observes an increasing heterogeneity at the regional level. It also provides insights into key barriers to cohesion and illustrates how targeted social investments can help unlock regional labour potential. A selection of case studies showcases the significant social impact that the European Investment Bank Group has achieved through the use of its full range of financial and technical expertise.

The Group's activities in cohesion regions will be shaped by the wider ongoing reflection about the future of cohesion policy. The European Commission's Ninth Cohesion Report[2] tells a tale of two Unions. Remarkable convergence has taken place, particularly among the countries that joined in the last three waves of enlargement. Cohesion policy has played a central role in these success stories, supporting economic growth, creating jobs and enhancing social cohesion. Meanwhile, stagnation in several regions is also observed, as is an increasing polarisation both across and within regions, including in higher-income countries, as some communities pull ahead while others fall behind. The report stresses the risk that this underutilisation of a region's or country's potential may undermine the sustainability of their growth dynamics and their competitiveness. In parallel, the Letta Report[3] confirms cohesion policy as a fundamental element of the single market, in line with the values of the European Pillar of Social Rights, and calls for its reinforcement. The EIB Group is following this dialogue closely and remains committed to an ever-stronger focus on human capital development, social inclusion, and a renewed people-based approach so as to enhance equitable growth and the consolidation of thriving and resilient communities across the Union.

2. https://ec.europa.eu/regional_policy/information-sources/cohesion-report_en
3. Letta, E. (2024). "Much more than a market – Speed, security, solidarity: Empowering the Single Market to deliver a sustainable future and prosperity for all EU Citizens".

EIB GROUP ACTIVITY IN COHESION REGIONS IN 2023

KEY FIGURES

The European Investment Bank's plans to develop and expand its activities in cohesion regions during the 2021-2027 EU budget period are set out in the Cohesion Orientation adopted in October 2021. Based on the current set of cohesion regions – which account for 35% of EU GDP – the Bank's targets for cohesion lending are as follows:

a) Cohesion regions to receive 40% of the EIB's total EU lending in 2022, 42% in 2023, 44% in 2024, and 45% in 2025.
b) A key performance indicator of 20% of total EU lending to go to less developed regions, rising to 23% by 2025.

The European Investment Fund (EIF) also introduced a new key performance indicator measuring the economic and social cohesion focus of its activities in early 2022. This indicator measures the Fund's commitments in cohesion regions as a percentage of its overall activity volume. For 2023, it was set at 40% (2022: 38%).

The EIB Group's 2023 results were in line with these ambitious goals.

Figure 1 – EIB Group lending and investments in cohesion regions, 2023

	Total lending and investments in EU-27 (€bn)	Lending and investments in cohesion regions (€bn)	Percentage of total lending and investments in cohesion regions
EIB	66.6	29.8[7]	45%
EIF[8]	14.0	6.8	49%
EIB Group	**78.3[9]**	**36.2[10]**	**47%**

In 2023, the EIB Group provided €36.2 billion to finance projects in cohesion regions. Of this, EIB lending amounted to €29.8 billion (45.1% of total EU lending), well above its target for 2023. Importantly, lending to less developed regions, at €17.2 billion, was 26% of total EIB lending in the European Union, above the key performance indicator set for 2023 (21%). Across the European Union, EIB lending supported projects with a total investment cost of €235 billion in 2023.

4. European Investment Bank Cohesion Orientation 2021-2027 (eib.org).
5. There are currently 145 EIB cohesion regions, of which 78 are classified as less developed (per capita GDP lower than 75% of the EU average adjusted for cross-country differences in purchasing power) and 67 as transition regions (per capita GDP below the EU average but above 75%).
6. In November 2023, the EIB Board of Directors confirmed the stance of the EIB Cohesion Orientation and decided to keep the ambitious 2025 targets through 2026 and until 2027, the end of the current EU budget period.
7. The figure includes only EIB own financing resources.
8. Commitment figures for the EIF.
9. The EIB Group total financing figure excludes a small overlap due to joint engagements of the EIB and the EIF.
10. The EIB Group total financing figure excludes a small overlap due to joint engagements of the EIB and the EIF.

EIF commitments to credit guarantees, venture capital and private equity investments for cohesion regions in 2023 stood at €6.8 billion, representing 48% of total EIF commitments in the EU-27, well in excess of the key performance indicator established the year before.

EIB and EIF public policy goals and sectors

EIB

SUSTAINABLE CITIES AND REGIONS	SUSTAINABLE ENERGY AND NATURAL RESOURCES	INNOVATION, DIGITAL AND HUMAN CAPITAL	SMES AND MID-CAP FINANCE
Transport	Energy	Research, innovation and digital	Mid-caps
Integrated territorial development	Natural resource use, management and protection	Education and skills	Small and medium-sized enterprises
	Water, wastewater and waste management	Health	

ECONOMIC AND SOCIAL COHESION

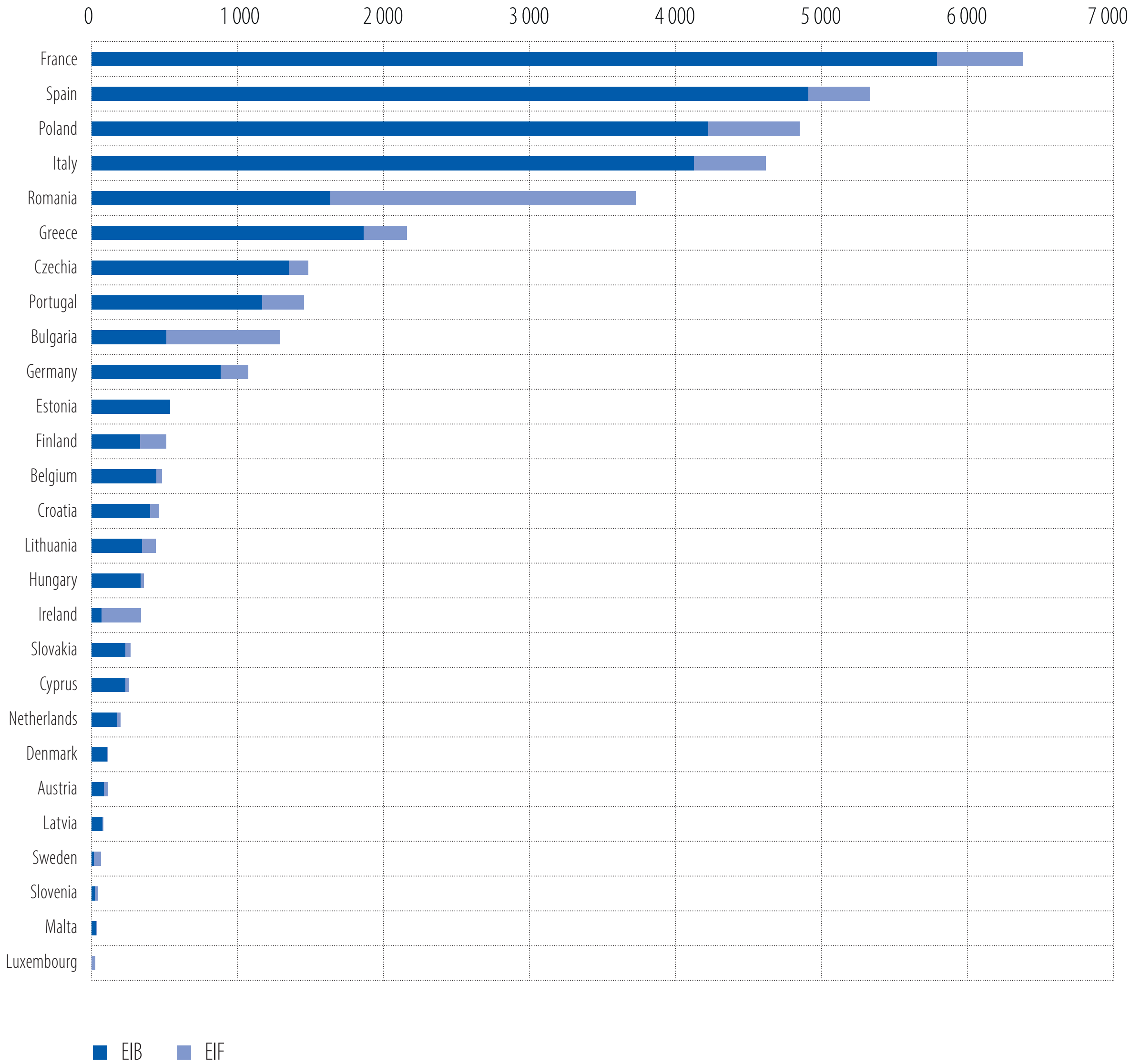
CLIMATE ACTION AND ENVIRONMENTAL SUSTAINABILITY

EIF

COMPETITIVENESS, GROWTH AND COHESION	SUSTAINABILITY AND GREEN TRANSFORMATION	INNOVATION	SOCIAL IMPACT, SKILLS AND HUMAN CAPITAL
Support for business growth and expansion	Sustainable infrustructure, industries, products and services	Life sciences and health	Inclusion, diversity and well-being
Integrated territorial development	Renewable energy and energy efficiency	Disruptive technologies	Impact and social innovation
Territorial development	Sustainable food and environmental services	Digital transformation	Skills and education
		New products, services, business model developments and commercialisation	Culture and creativity

Combined at the EIB Group level, in 2023 significant volumes in investments for cohesion were achieved in France, Spain, Poland, Italy and Romania, whilst EIF commitments particularly contributed to the overall financial support at national level in Romania, Bulgaria and Ireland.

Figure 2 – EIB and EIF cohesion investments by country (€ million)



EIB LENDING IN COHESION REGIONS

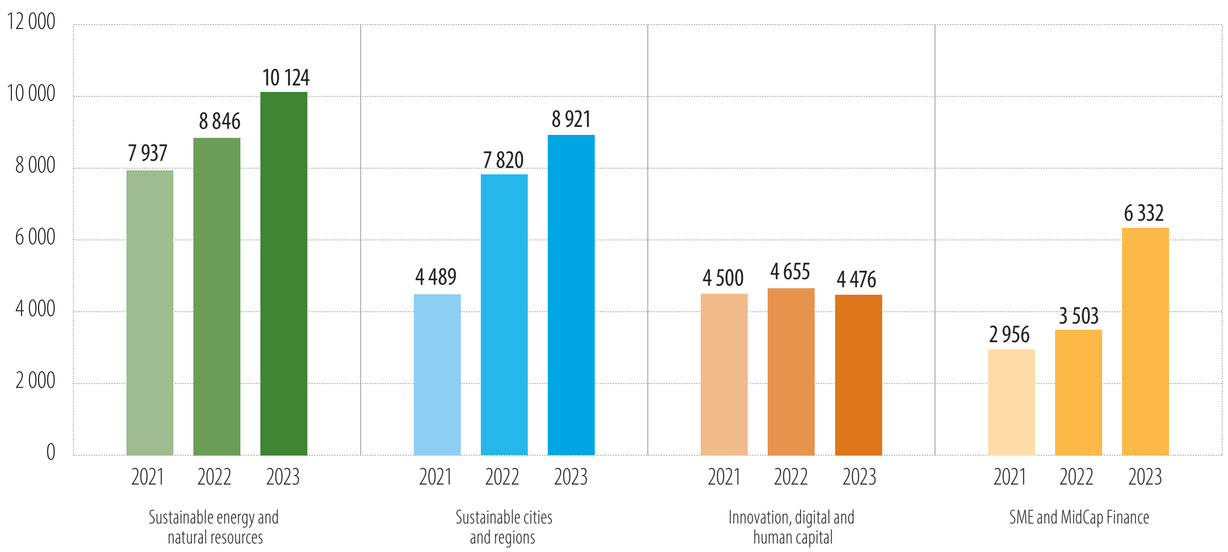
EIB LENDING IN COHESION REGIONS BY PUBLIC POLICY GOAL

Lending in cohesion regions covers a wide spectrum of economic activities, which are reflected in the EIB's public policy goal framework. The framework embodies the Bank's lending priorities and ensures that these are aligned with the political priorities set by the European Union.

The current framework relies on four **vertical** public policy goals: sustainable cities and regions; sustainable energy and natural resources; innovation, digital and human capital; and SME and mid-cap finance (see outline on page 4). These broad goals are further broken down into economic sectors and activities eligible for EIB financing. In addition, two **horizontal** objectives are embedded in the framework: economic and social cohesion; and climate action and environmental sustainability.

Trending up since 2021, the EIB's cohesion lending reached its highest level in the Bank's 65-year history in 2023, with demand for SME and mid-cap finance increasing particularly vigorously. The lending volumes for 2021-2023 by vertical public policy goal, as shown in Figure 3, suggest that cohesion regions benefited from particularly large lending flows under two policy goals – sustainable energy and natural resources, and sustainable cities and regions – while a smaller share of lending to cohesion regions went into the other two goals – innovation, digital and human capital, and SME and mid-cap finance.

Figure 3 – Contribution of cohesion finance by public policy goal (€ million)



The pattern of EIB lending activity by public policy goal usually differs between cohesion regions and non-cohesion regions because cohesion regions have specific needs. In 2023, the share of lending to cohesion regions was particularly high in sustainable energy and natural resources but remained low in innovation, digital and human capital.

Figure 4 shows the contribution of lending under each public policy goal to the EIB's overall lending in cohesion regions and contrasts this with the goals' respective shares in total lending to non-cohesion regions.[11] Specifically, EIB lending to cohesion regions was distributed as follows:

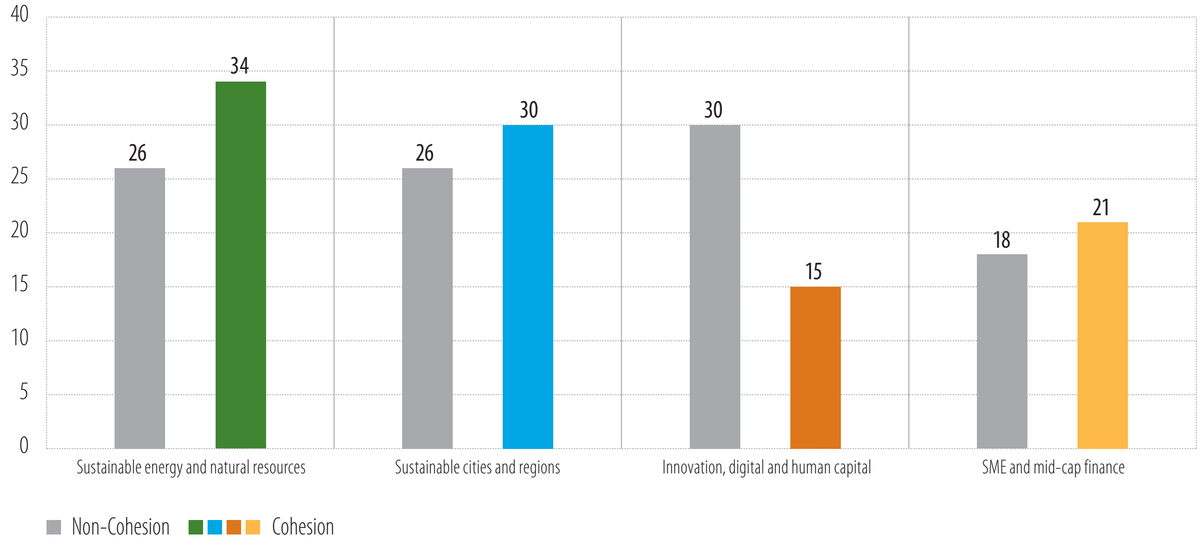
Sustainable energy and natural resources: €10.2 billion, representing 34% of total EIB cohesion lending, in contrast to 26% of lending to non-cohesion regions. 52% of lending in the European Union under this goal (€19.6 billion) went to projects in cohesion regions.

Sustainable cities and regions: €8.9 billion, representing 30% of total EIB cohesion lending, compared to a share of 26% in non-cohesion regions. The share of cohesion regions in total EU lending under this goal (€18.5 billion) was 48%, slightly above the overall EIB cohesion lending share.

SME and mid-cap finance: €6.3 billion, accounting for 21% of total EIB lending to cohesion regions and 18% in non-cohesion regions. Half the support channelled to SMEs and mid-caps in the European Union (€12.8 billion in total) concerned beneficiaries in cohesion regions.

Innovation, digital and human capital: This is the only goal for which activity in cohesion regions did not increase in 2023. At €4.5 billion, it represented only 15% of total EIB cohesion lending. In non-cohesion regions, the share of this goal was twice as high, as shown in Figure 4. The share of cohesion regions in total innovation lending (€15.4 billion) was particularly low (29%).

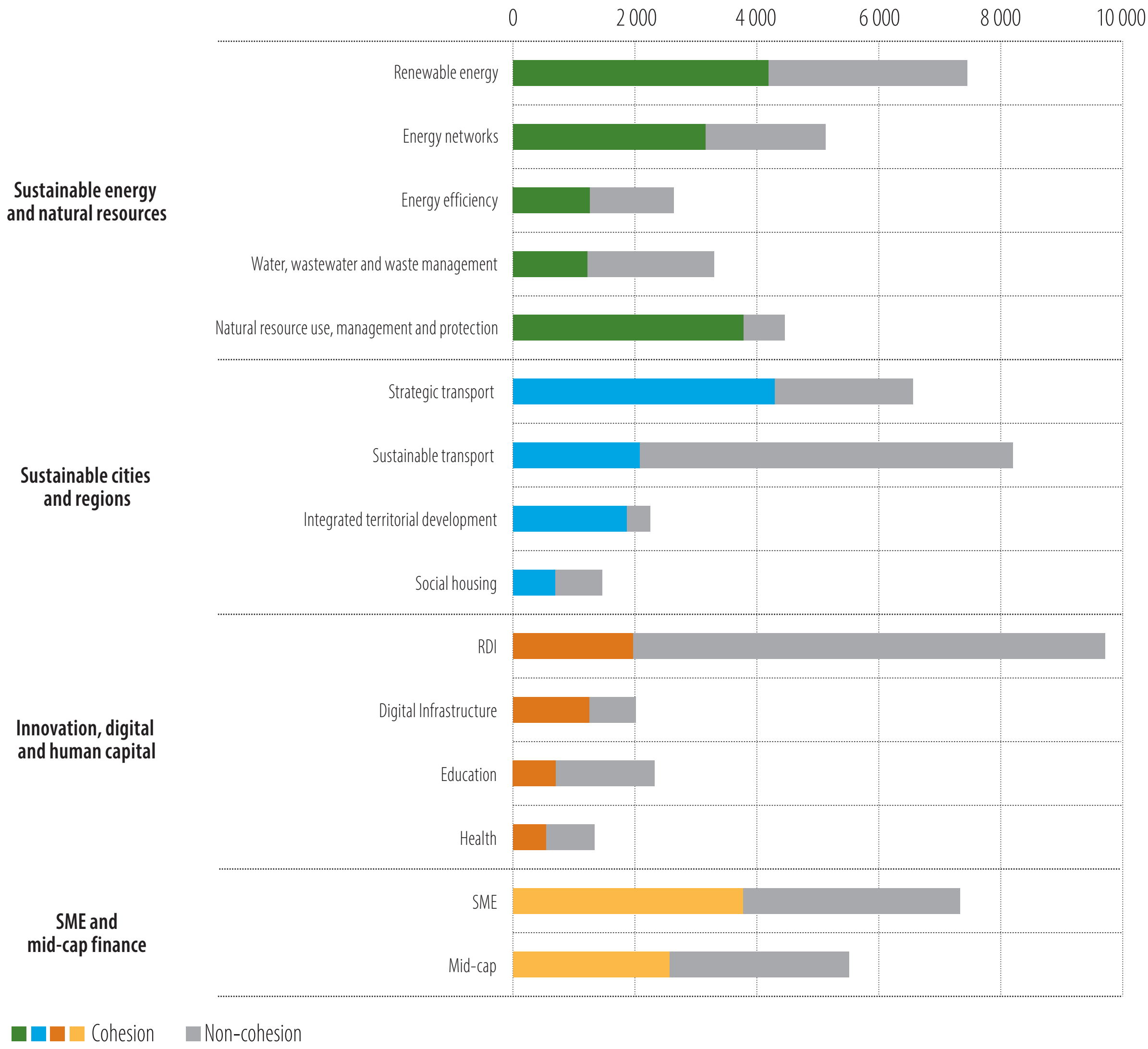
Figure 4 – EIB lending in EU cohesion and non-cohesion regions in 2023 by public policy goal



The relative concentrations of the EIB's cohesion lending in its individual public policy goals are related to the sectors of activity that are financed in cohesion regions. Figure 5 shows the breakdown of the EIB's EU lending in 2023 by sector, distinguishing between cohesion and non-cohesion regions.

11. The contribution towards 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 the purpose of 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 makes the same relative contribution to each of the vertical public policy goals as the overall project.

Figure 5 – EIB lending in EU cohesion and non-cohesion regions in 2023 by sector (€ million)



Notes:
1. EIB sectors are sorted by decreasing absolute (€ million) contributions to cohesion lending.
2. The 15 sectors shown in this figure can be mapped into the ten activity areas reported under the public policy goals in Figure 4 as follows: energy includes energy networks, renewable energy, and energy efficiency; research, innovation and skills includes research, development and innovation and digital infrastructure; integrated territorial development includes social and affordable housing, and other integrated territorial development; and transport includes strategic transport and sustainable transport.

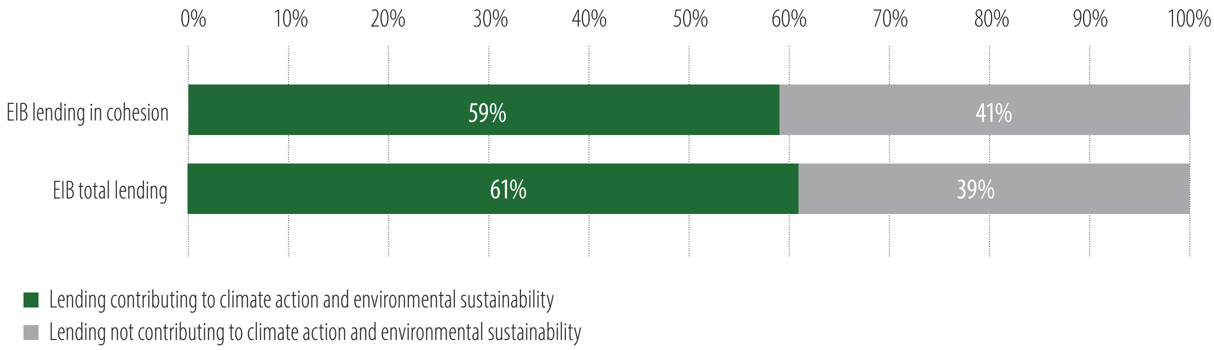
The main insights provided by Figure 5 are as follows:

- **Sustainable energy and natural resources:** Lending contributions were strong (€7.3 billion) from EIB projects concerning renewable energy and energy networks, which together accounted for 72% of cohesion lending under this public policy goal. In these two areas, cohesion regions accounted for some 60% of total lending. Projects related to energy efficiency, water, wastewater and waste management, and natural resource use contributed another €2.9 billion in cohesion lending. In these areas, the share of cohesion regions was smaller (41% of total lending).

- **Sustainable cities and regions:** Transport investment drove the high EIB lending volume for cohesion regions under this goal, accounting for 69%, with the remaining 31% falling under integrated territorial development and social housing. In some sectors of activity under this policy goal, lending was clearly tilted to cohesion regions, notably in urban and regional projects (integrated territorial development) where cohesion regions absorbed 83% of EIB lending. It was also high (65%) in strategic transport projects, as trans-European transport networks are still being built. By contrast, despite a solid absolute lending volume for cohesion regions (€2.1 billion), the cohesion share was only 25% in sustainable transport. In social and affordable housing, the share of cohesion regions (47%) was higher than in 2021 and 2022, but remained higher in more developed regions where demand remains stronger.
- The share of cohesion regions in the EIB's lending to **SMEs** (51%) **and mid-caps** (46%) was higher than the overall EIB cohesion lending share (45%) in 2023 (unlike in 2022) due to a strong increase in demand for EIB loans from SMEs and mid-caps from within cohesion regions. Almost all this lending takes the form of multi-beneficiary investment loans (MBILs) signed with commercial banks throughout the European Union.
- **Innovation, digital and human capital:** Research, development and innovation (€2.0 billion) and digital infrastructure (€1.3 billion) drove the (overall low) lending volumes under this public policy goal. The Bank supported efforts by cohesion regions to catch up in terms of digital connectivity, where the share of cohesion regions was high (62%). By contrast, cohesion regions accounted for only 40% and 30%, respectively, of EIB lending to health infrastructure and education infrastructure in the European Union. In research, development and innovation, the share of cohesion regions was only 20% due to strong lending activity for such projects in more developed regions, reflecting the well-known structural weakness of private sector research and development activity in cohesion regions.[12] The EIB will continue its efforts to identify and support such investments in cohesion regions both through advisory and financing.[13]

Last but not least, the EIB's 2023 lending for the horizontal policy goal **climate action and environmental sustainability** amounted to €40.3 billion for the European Union as a whole (61% of the total), whereas its lending for the same goal in cohesion regions amounted to €17.5 billion, or 59% of the total volume of cohesion lending (Figure 6).[14] The share of EIB lending benefiting climate action and environmental sustainability across both cohesion regions and more developed regions was significantly higher than the minimum target of 50% by 2025 set for all EIB lending under the Climate Bank Roadmap, even though for the first time in three years the percentage of lending to cohesion regions under this goal was less than for non-cohesion regions.

Figure 6 – Climate action and environmental sustainability lending in the European Union and in cohesion regions



12. By contrast, the subpar cohesion shares in health and education are in contrast to the 2022 results and, hence, do not necessarily constitute a worrying trend.
13. For example, the Cohesion Orientation introduced a new option to lend directly to mid-caps in less developed regions for investment in proven technology that is new to the Member State.
14. For the purpose of 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 makes the same relative contribution to climate action and environmental sustainability as the overall project.

EIB LENDING IN COHESION REGIONS BY COUNTRY

Of the European Union's 145 cohesion regions, 67 are classified as transition regions and 78 as less developed regions. The latter are mostly located in Central and Eastern Europe, as well as in Portugal, Greece and the southern parts of Italy and Spain. Many of the transition regions, by contrast, are former wealthy industrial regions struggling to cope with globalisation and technological change. They can be found across the European Union, including in wealthier Member States such as France, the Netherlands and Finland. On the positive side, the group of transition regions also includes a number of formerly less developed regions such as in Estonia and in Czechia and in Poland, whose economies have grown significantly faster than the EU average over the past two decades.

Seven Member States are entirely made up of cohesion regions (Bulgaria, Croatia, Cyprus, Estonia, Greece, Latvia and Malta), whereas Luxembourg is the only Member State with no cohesion region. All other 19 Member States have both cohesion regions and more developed regions. The weight of cohesion regions in the GDP of Member States ranges from 25% or less in Austria, Belgium, Denmark, Germany, Ireland, the Netherlands and Sweden, to more than 60% in Czechia, Hungary, Poland, Portugal, Romania and Slovakia, which have more developed capital regions but GDP per capita below the EU average everywhere else.

Against this backdrop, Figure 7 shows the EIB's total EU lending for 2023 by country, providing both the total absolute lending figure and its split between cohesion and non-cohesion regions. Italy, France and Spain were the biggest beneficiaries of EIB lending overall in terms of volume, each receiving more than €10 billion. In terms of absolute lending volumes to cohesion regions, France (€5.8 billion), Spain (€4.9 billion), Poland (€4.2 billion) and Italy (€4.1 billion) stand out for receiving the highest amounts by a large margin.

In most countries, the share of the EIB's lending for cohesion regions is comparable to the weight of those regions in the country's GDP. However, when looking across countries, Member States made up exclusively or mostly of cohesion regions tend to attract a larger proportion of total EIB lending than their weight in the EU economy.[16]

15. These Member States are Austria, Czechia, Greece, Germany, Spain, France, Croatia, Italy, Cyprus, Lithuania, Hungary, Malta, Poland, Portugal, Romania, Slovenia, Slovakia, Finland and Sweden.
16. To illustrate, the Member States where cohesion regions account for more than 25% of GDP contributed 54% to EU GDP, but they received almost three-quarters of the EIB's total lending in the European Union. This "composition effect" explains why the EIB cohesion lending share (45%) is significantly above cohesion regions' share in EU GDP (35%).

Map 1 – Regions by cohesion classification

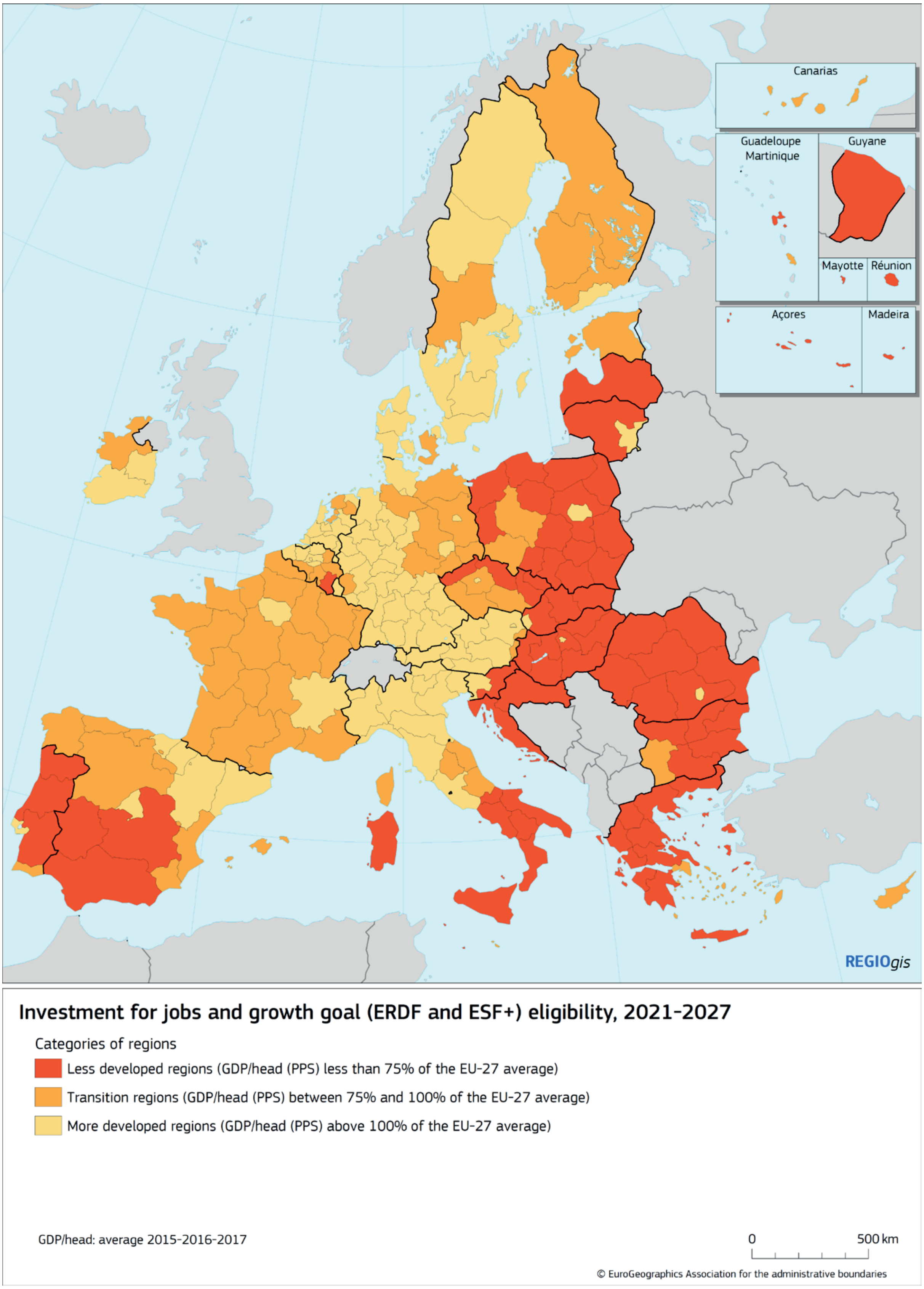
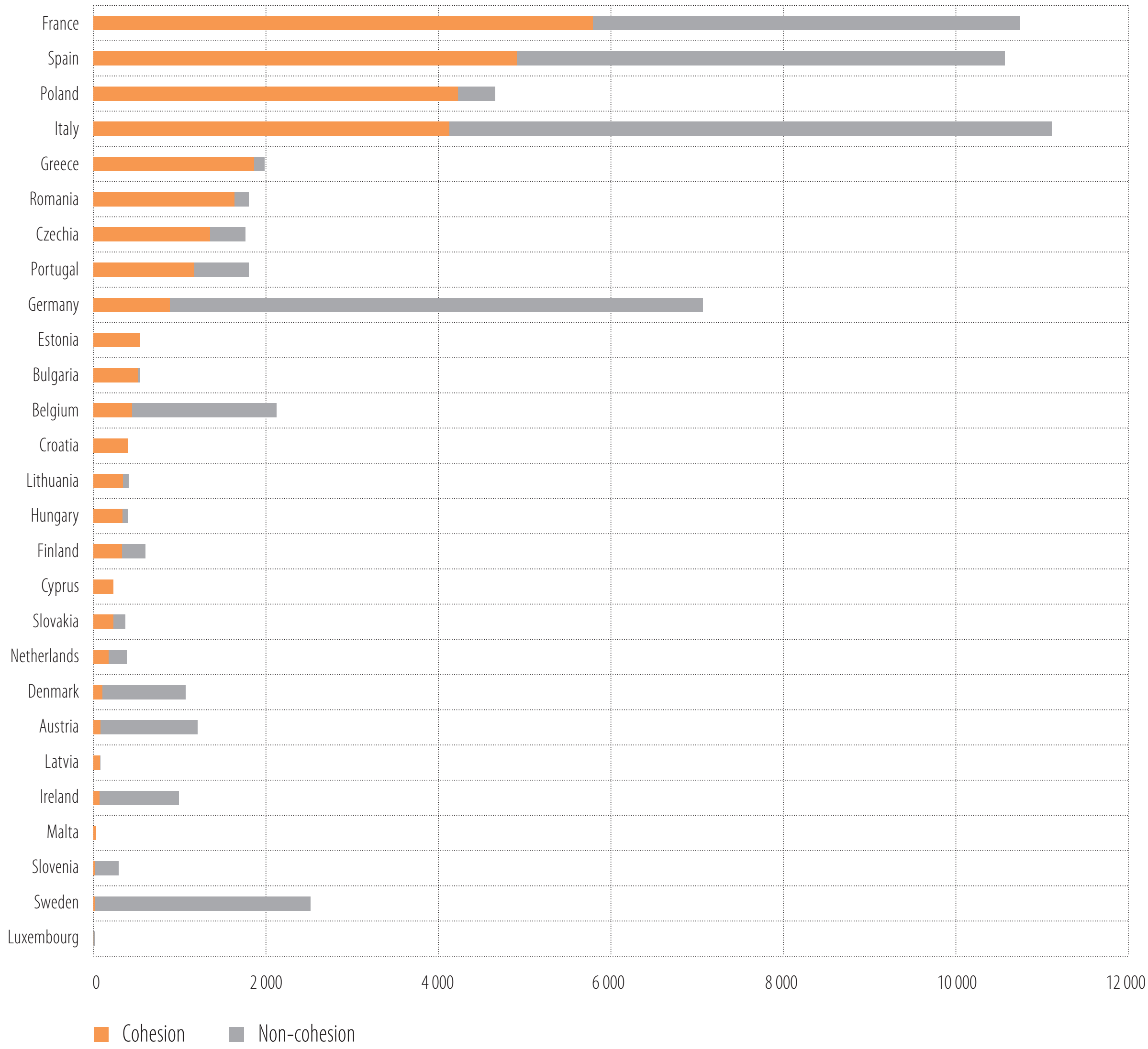


Figure 7 – Total EIB EU-27 lending in cohesion and non-cohesion regions in 2023 (€ million)



Note: Countries are sorted in decreasing order of absolute EIB cohesion lending amounts.

EIB COHESION ACTIVITY CONTRIBUTES TO THE UN SUSTAINABLE DEVELOPMENT GOALS

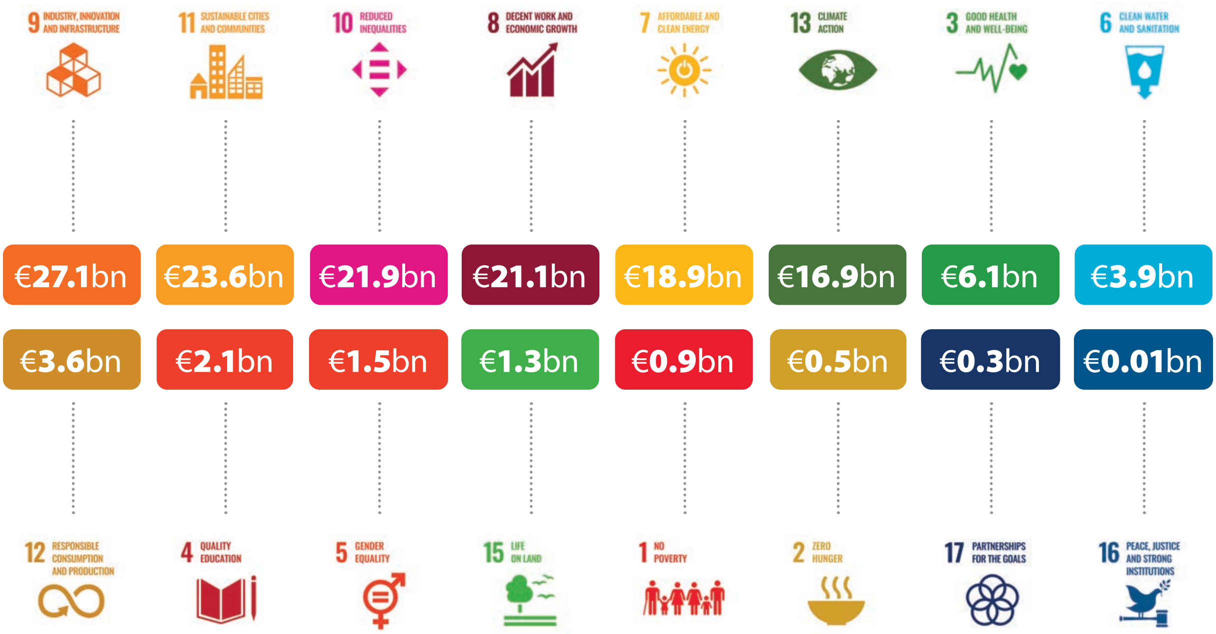
The EIB's support for investment projects in cohesion regions over recent decades has made a significant contribution to the European Union's economic development. Since 2016, the EIB has also been tracking and reporting the contribution of its cohesion activity to the UN SDGs.[17] Recently, the Bank expanded its reporting to illustrate the SDG impact of its investments in the European Union and beyond.

The Bank'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.[18]

In 2023, EIB investments mainly contributed to SDG 9 (Industry, Innovation and Infrastructure) and SDG 11 (Sustainable Cities and Communities), as measured by lending volume, followed by SDG 10 (Reduced Inequalities) and SDG 8 (Decent Work and Economic Growth).

Investments in support of SDG 7 (Affordable and Clean Energy) and SDG 13 (Climate Action) confirm the EIB's steadfast commitment to climate action.

Figure 8 – EIB's financial contribution to the UN SDGs in cohesion regions in 2023 (€ billion)

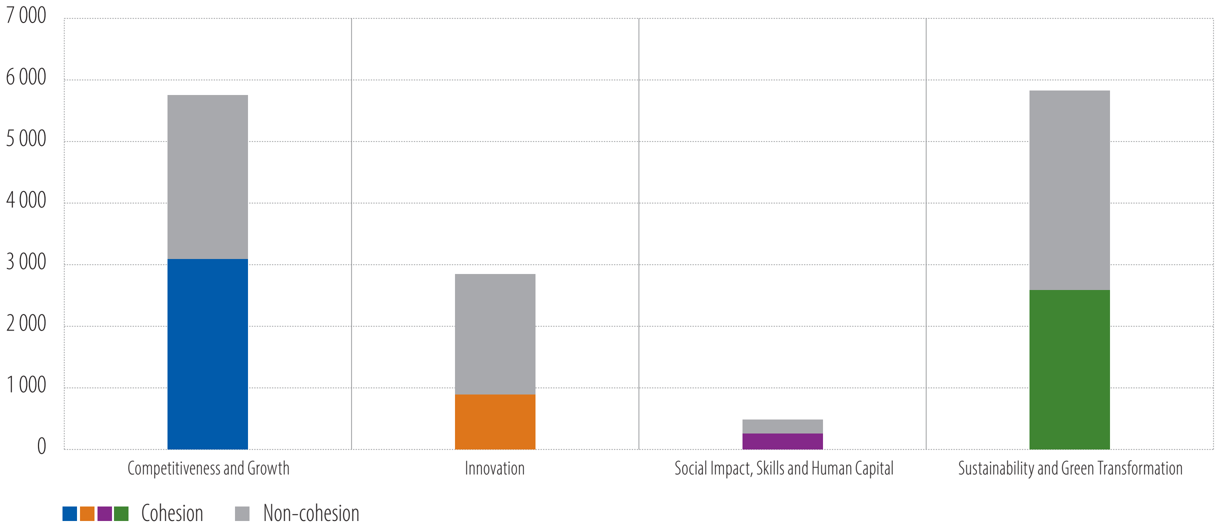


17. The United Nations' 17 Sustainable Development Goals (SDGs) provide a framework for measuring international efforts to end world poverty, protect the planet and ensure that everyone can enjoy peace and prosperity. The goals are explicitly taken into account in the formulation of all EU policies.
18. More details can be found in the European Investment Bank's contribution to the Sustainable Development Goals.

EIF INVESTMENTS IN COHESION REGIONS

Transactions signed by the European Investment Fund in 2023 provided support to small and medium enterprises and other eligible final recipients located in cohesion regions in 26 of the European Union's 27 Member States, for a total amount of €6.8 billion. The support was mainly provided through debt/guarantee and equity financial instruments in both transition regions and less developed regions, across a range of themes under the EIF's public policy goals.

Figure 9 – EIF commitments by EIF public policy goal (€ million)



EIF'S WIDE RANGE OF INSTRUMENTS FOR ALTERNATIVE FINANCING IN COHESION REGIONS

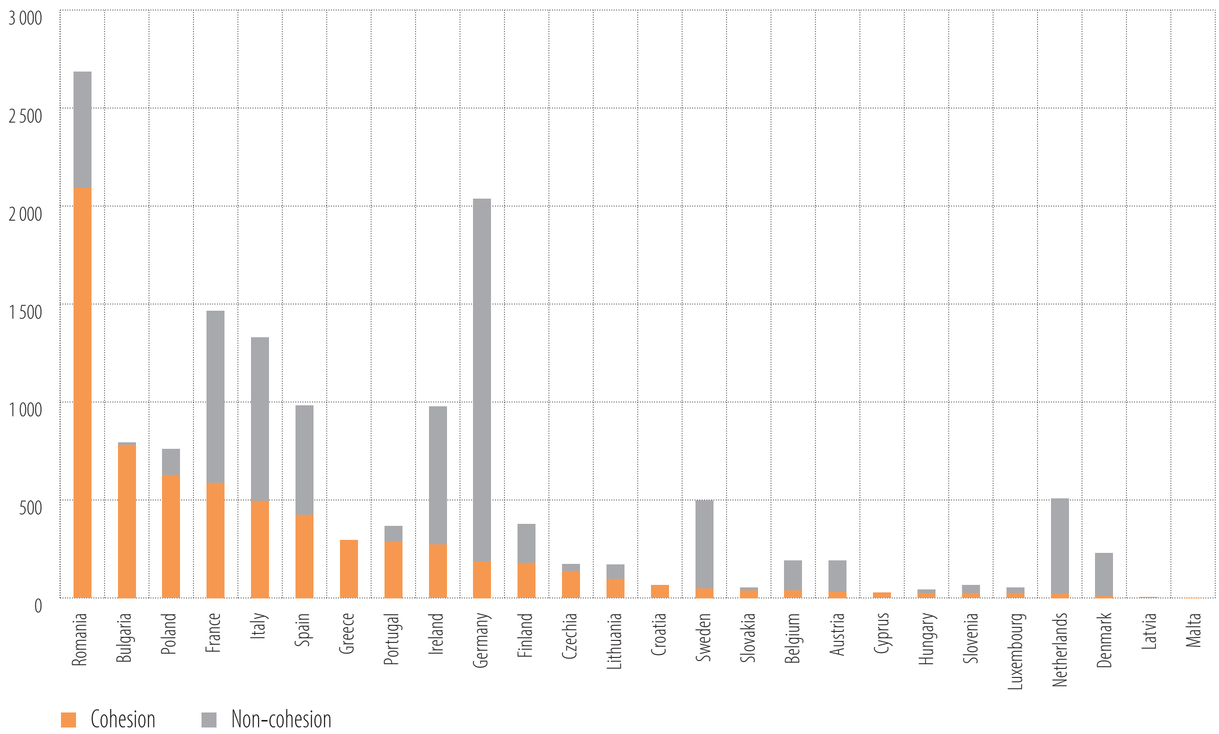
The EIF contributes to economic and social cohesion in the European Union through a full range of financial instruments – portfolio guarantees, equity investments, securitisation, private credit and infrastructure funds. Under its intermediated model, the EIF works through a range of different types of partners, including banks, venture capital and private equity funds, as well as private credit and infrastructure funds.

In 2023, the EIF invested a total of €14.9 billion, teaming up with around 300 partner institutions across Europe and making financing available for more than 350 000 small businesses, infrastructure projects, households and individuals, and mobilising €134 billion for the real economy. Of the €14 billion committed in the European Union, 49% addressed economic and social cohesion. These funds are expected to mobilise close to €42.7 billion. The cohesion regions of the top five beneficiary countries accounted for 67%, with Romania alone accounting for 31%, followed by Bulgaria, Poland, France and Italy.

Recognised as a vital tool for economic development, financing for SMEs and startups is at the core of the EIF's activities. The EIF fosters economic and social cohesion by actively developing the venture capital and private equity ecosystems in Europe, with an emphasis on less developed markets with identified financing gaps. This ensures a steady flow of financial support for local businesses, and equal opportunities for businesses across Europe. Furthermore, EIF guarantee products under InvestEU offer better conditions for final recipients located in cohesion or just transition regions. Here, the financial intermediary can choose a higher guarantee rate of up to 80% (as opposed to 50% or 70% elsewhere).

By structuring its activities around its public policy goals (as illustrated in Figure 9 above), the EIF ensures that the European economy follows a clear policy direction through financial intermediaries.

Figure 10 – EIF commitments by country (€ million)



The EIF was especially active in Central and Eastern Europe in 2023, reinforcing its commitment to the countries, economies and people within this rich and diverse region, thus making a meaningful contribution to EU cohesion policy. The EIF has also continued expanding its investments in emerging areas for the region, such as infrastructure, private debt, securitisation and impact investing, alongside portfolio guarantees and equity.

- In Lithuania, the EIF invested in the first diversified debt fund which addresses a significant market gap by providing tailor-made facilities adapted to the underserved needs of predominantly SMEs and small mid-caps in a region where alternative financing is nascent.
- With regard to infrastructure, two notable investments are set to provide much-needed financing in Central and Eastern Europe. The first is a Lithuanian infrastructure fund targeting greenfield solar photovoltaic and onshore wind assets, mainly in Poland, the Baltics and the Central and Eastern Europe region. It is expected to focus entirely on climate action while simultaneously having at least an 80% focus on cohesion regions. The second is a Finnish infrastructure fund pursuing greenfield renewable energy generation and battery storage opportunities in the European Union, with a 50% focus on Central and Eastern Europe.
- Securitisation, a tool for generating fresh loan portfolios, has also made a major contribution to the EIF's cohesion and market-building targets, with a total of €1.7 billion invested in securitisation transactions in Central and Eastern Europe, a region with a relatively nascent securitisation market. This investment represents 56% of the EIF's total securitisation activities in 2023.
- The first institutional impact fund in Czechia aims to support early-stage investments in the country and the broader Central and Eastern Europe region, in particular targeting companies developing technologies to tackle issues linked to social inclusion and civic empowerment, education and training, health and well-being, the environment, and sustainability. The EIF's investment facilitated the emergence of a new impact investor on the European scene, one that does not compromise between impact and financial performance and that aims to invest in scalable opportunities addressing pressing social and climate-related issues.
- In Romania, portfolio guarantees have unlocked significant financing for local businesses, bolstering cohesion regions in the country, fostering business growth and expansion, and supporting value chains, sustainable infrastructure products and services, renewable energy and energy efficiency, and clean transport, while strengthening the Romanian financial ecosystem.


5-Б
Андрєєва
Вероніка

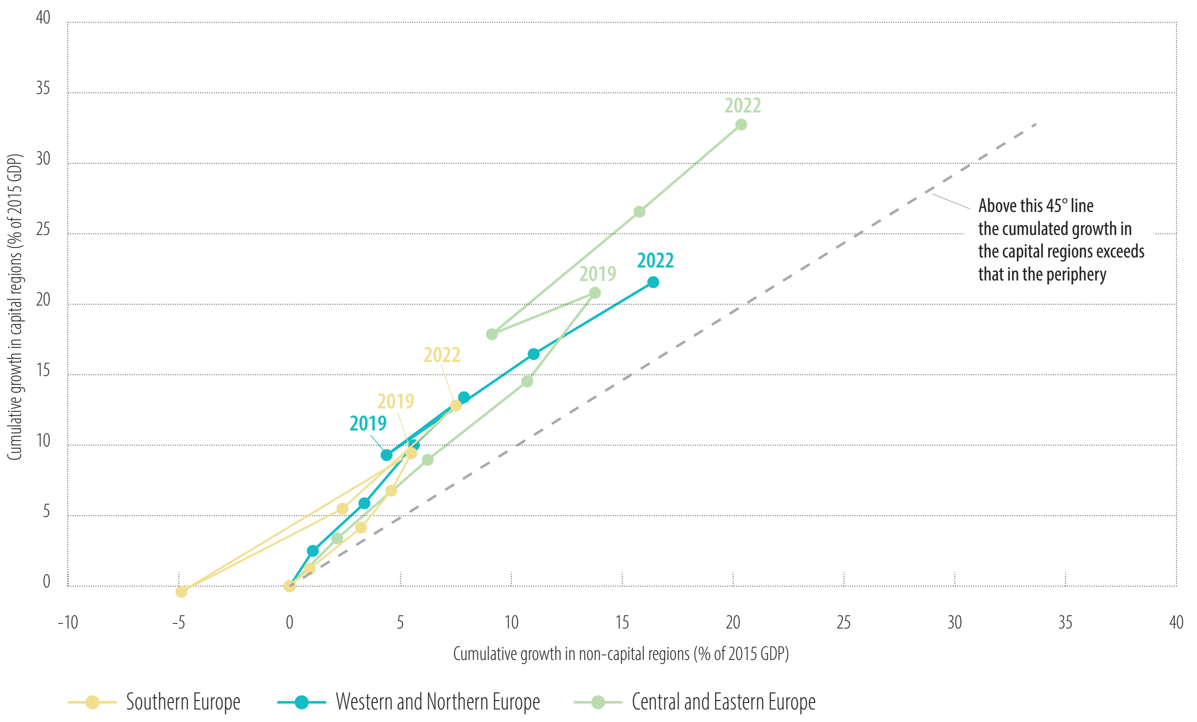
INVESTMENT FOR INCREASED TERRITORIAL AND SOCIAL COHESION

OVERVIEW

Success in EU convergence and gains in social cohesion have been accompanied by uneven performance for some regions and social groups. A rapid process of catching up in Central and Eastern European regions was only temporarily interrupted by the economic shock caused by the pandemic. These regions have seen overall gains in health accompanied by falling unemployment and reductions in poverty levels. In contrast, many regions in Southern Europe and transition regions in higher-income Member States have slumped and are experiencing population decline. Coupled with this, there are still groups in these communities who face obstacles in getting good jobs and who are struggling with the general rise in the cost of living following the pandemic and Russia's invasion of Ukraine.

Convergence at the national level has been accompanied by increasing heterogeneity at the regional level. Despite the substantial progress made in terms of GDP per capita and employment across the European Union, as well as the ongoing convergence of newer Member States, regional performance within countries has been uneven. For example, the gap between capital and non-capital regions within individual countries, although visible since the mid-2010s, has been even more noticeable in the newer Member States since 2019 (Figure 11).

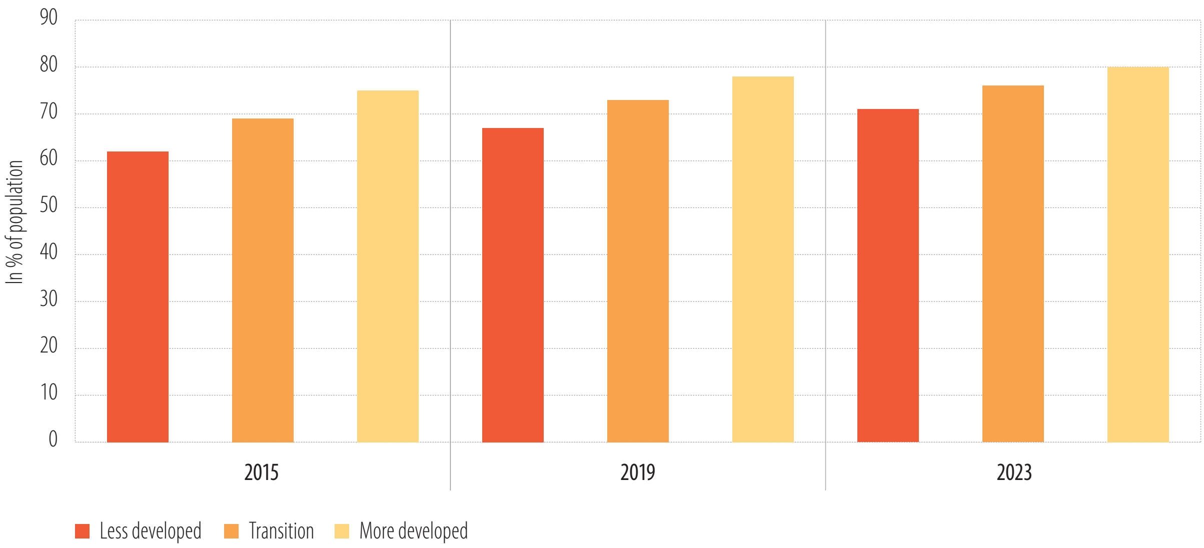
Figure 11 – Real GDP – capital vs. non-capital regions, 2015-2022



Note: Real GDP = real gross value added at basic prices. Simple average over gross value added growth in NUTS 2 regions of selected countries, accumulated since 2015 = 0. Western and Northern Europe: Austria, Belgium, Denmark, Finland, France, Germany, Ireland, the Netherlands and Sweden. Southern Europe: Italy, Spain, Portugal and Greece. Central and Eastern Europe: Bulgaria, Croatia, Czechia, Hungary, Lithuania, Poland, Romania and Slovakia.
Source: Eurostat, EIB staff calculations.

The different development trajectories of both types of regions have been visible since the mid-2010s. This has led to growing disparities in terms of structural competitiveness and accompanying social inequalities, such as diverging levels of well-being or social and labour market inclusion.[19] While employment rates have increased in both cohesion and non-cohesion regions over the last decade, the pace has slowed since the pandemic, and less developed regions still lag behind more developed regions (Figure 12).

Figure 12 – Employment rate across cohesion regions, 2015, 2019 and 2023



Source: Authors' calculations based on Eurostat 2024.

Investments in productivity, well-being and social cohesion are needed to support continued growth, regional development, and equality of opportunity across the European Union. In this evolving and at times increasingly polarised economic environment, struggling regions require support for economic growth and productivity.

At the same time, social factors are critical catalysts for spreading prosperity. Inclusive quality education, affordable housing, physical and digital connectivity, access to public services, along with well-functioning local governments are important for the provision of equal opportunities. They are vital for the efficient allocation of skilled labour and for boosting social cohesion.

19. For example, see an analysis of developments of a traditionally industrial region in Belgium in Bisciari, P. (2024). "Economic performance, competitiveness, and well-being in Wallonia: a comparative analysis with other European transition regions", NBB Economic Review, No 2. Consequences of regional developments and their implications for the political process are analysed in Rodríguez-Pose, A., Dijkstra, L. and Poelman, H. (2024). "The Geography of EU Discontent and the Regional Development Trap", Economic Geography, pp. 1-33.

CHALLENGES FOR EUROPEAN COHESION

The compounding impact of recent economic crises and socioeconomic shocks had uneven regional and social consequences and created multiple challenges. This was coupled with the secular decline in labour productivity growth and widely diminishing innovation in key areas, particularly in the digital sphere, which was exposed by the relatively bumpy recovery from the global financial crisis.[20] Both trends have undermined competitiveness and contributed to subpar economic growth in many regions where economic and social structures are less flexible and institutions less forward-looking or adaptable than in more developed areas of Europe.

The recent energy crisis highlighted the need to decarbonise the European economy faster than previously planned; achieving a rapid decoupling from fossil fuels while mitigating rising negative physical impacts related to climate change became of the essence.[21] Many regions, including some in high-income Member States, found themselves facing serious challenges amid the green and digital transition, experiencing development traps[22] and talent gaps due to a strong dependence on industries requiring substantial technological upgrades or being phased out. Insufficient physical and digital infrastructure, lack of services, and inadequate funding at the local level also constitute serious obstacles.

Less developed or economically lagging regions can be particularly exposed to an accumulation of less favourable starting conditions, such as heavy and/or more polluting industries. They may also be more affected by the recent crises, as is the case with economies skewed towards energy-intensive industries, agriculture or tourism.

Moreover, increasingly tight labour markets and shortages in skilled labour, coupled with insufficient basic education and declining literacy and numeracy skills among young people, continue to form major barriers to successful convergence, social cohesion, and resilience to new trends and shocks. These challenges may lead to further entrenchment of territorial[23] and social disparities if left unaddressed, potentially eroding support for the European single market and the European project as a whole.[24]

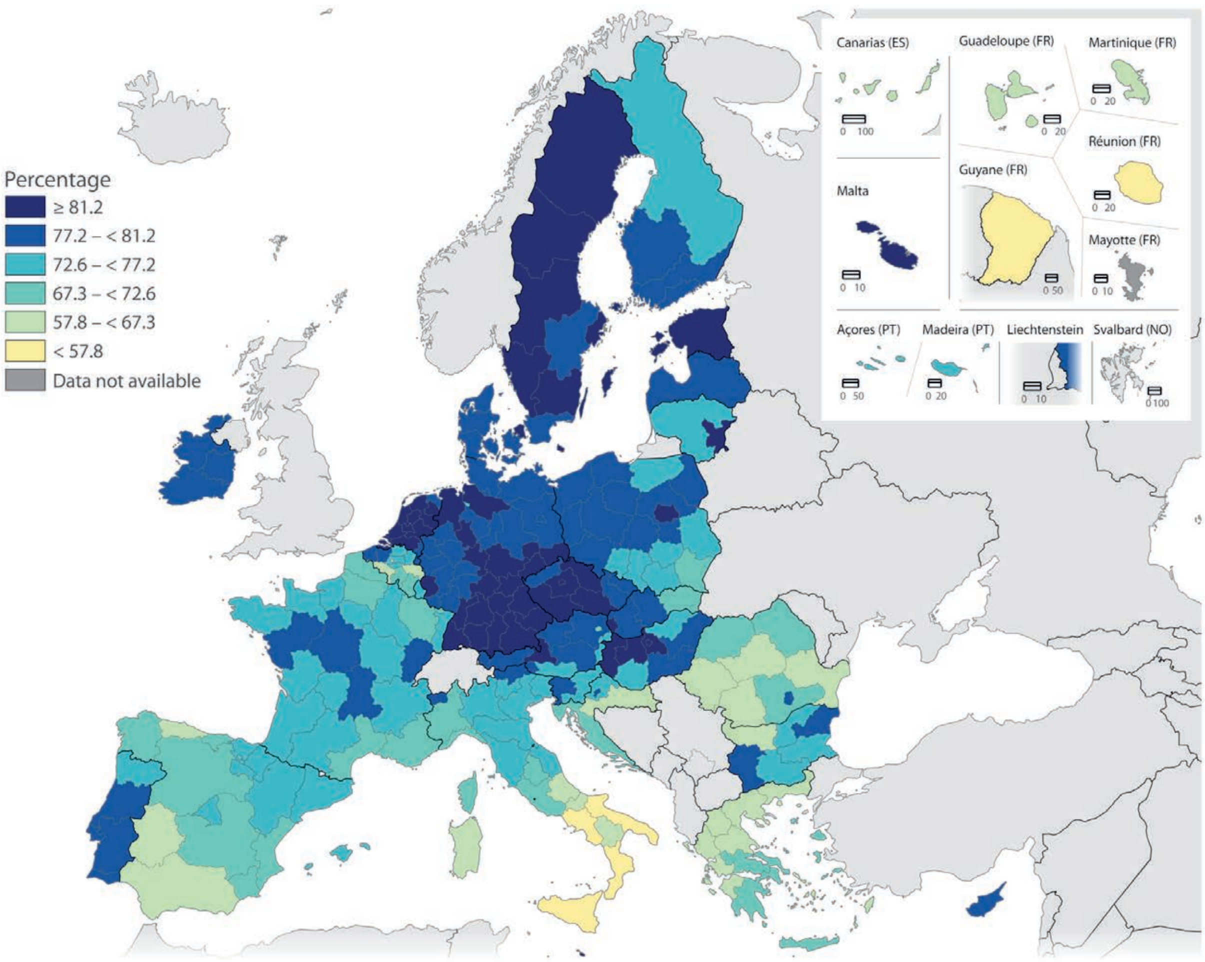
20. Innovation measured as international patent applications. See, for example, Fuest, C., Gros, D., Mengel, P.-L., Presidente, G. and Tirole, J. (2024). "EU Innovation Policy – How to Escape the Middle Technology Trap", EconPol Policy Report.
21. 64% of EU firms have felt the physical impact of climate change according to the 2024 EIB Investment Survey.
22 Diemer, A., Iammarino, S., Rodríguez-Pose, A. and Storper, M. (2022). "The Regional Development Trap in Europe", Economic Geography, Vol. 98, No 5, pp. 487-509 provide the notion of regional development trap as a situation when regions find themselves facing significant structural challenges as regards the ability to retrieve past dynamism or improve prosperity for their residents.
23 "Territorial disparity indicates the degree to which the intensity of a certain economic phenomenon differs between regions within a same country. The concept of disparity, therefore, refers to regional differences in GDP per capita, productivity, unemployment and activity rates." OECD Public Governance and Territorial Development Directorate, Territorial Development Policy Committee, Working Party on Territorial Indicators (2003). "Geographic Concentration and Territorial Disparity in OECD Countries", p. 8.
24 Letta, E. (2024). "Much more than a market – Speed, security, solidarity: Empowering the Single Market to deliver a sustainable future and prosperity for all EU Citizens".

THE LABOUR MARKET DIMENSION

Throughout the last decade, regional labour markets have been robust, notwithstanding a short downturn induced by the pandemic. Non-cohesion regions, in particular, have enjoyed rising employment levels (Figure 13) and significant progress in terms of labour force participation, amid an overall decline in unemployment, including among young people. At the same time, the average number of actual hours worked has declined steadily throughout the last decade, while labour productivity growth has slowed.

Female labour force participation, including among older age groups, has increased significantly in recent years, but substantial regional disparities persist. While almost 75% of women actively participate in the labour force in North-Western Europe, only about 68% do so in Southern Europe (Figure 14). Cohesion regions exhibit significantly lower employment levels for women compared to men, with gender employment gaps amounting to up to 30% in some southern European regions.

Figure 13 – Employment rate (20-64 year-olds) across regions, 2023

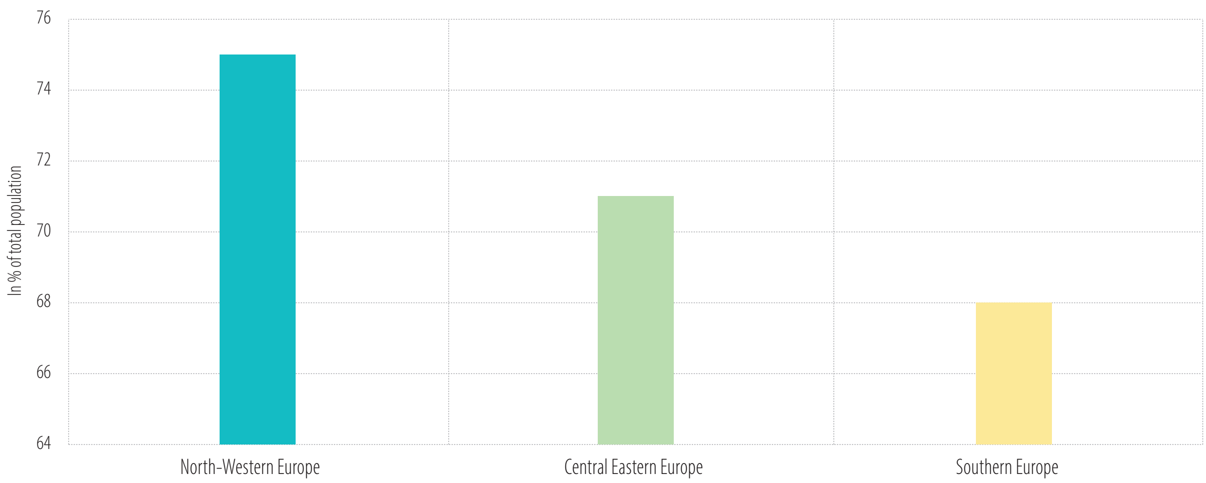


Source: Eurostat 2024.

Moreover, when entering the labour market, women continue to predominantly opt for part-time or reduced working hours.

- Women have continued to represent around 80% of part-time workers throughout the last two decades. At the same time, the average number of hours worked by women has been considerably lower than desired.
- The inability of women to contribute their full potential is rooted in a continued lack of childcare and flexible work patterns, often coupled with limited internet connectivity in cohesion regions. It therefore remains a key factor in the underexploitation of existing labour market potential.

Figure 14 – Female labour force participation across EU macro regions, 2022



Note: Population refers to working-age population from 15-64 years.
Source: Eurostat 2024.

Educational attainment across regions has converged and has been a major contributing factor to the rise in employment rates across the European Union. However, there is deepening concern about current and future educational quality as some regions that have seen slower economic growth, or that are caught in structural transformation, face lagging levels of tertiary education and declining basic learning achievements. A shrinking working-age population due to ageing and negative net migration further deteriorates the outlook.

- Lower levels of educational performance in these regions are further compounded by relatively low levels of literacy and numeracy among young people.[25] Moreover, the proportion of young people, particularly women, not in education, employment or training (NEETs) is substantially higher than the EU average (11.2% in 2023).
- Adverse demographic trends, including comparatively earlier retirement due to health issues, are likely to exacerbate these challenges amid the recently started retirement phase of the boomer generation, which will be completed by 2035.
- Cohesion policies should thus involve investments to increase the quality and the quantity of labour supply, both to allow people to work more if they want, and to bring qualified workers into the labour market in the first place.

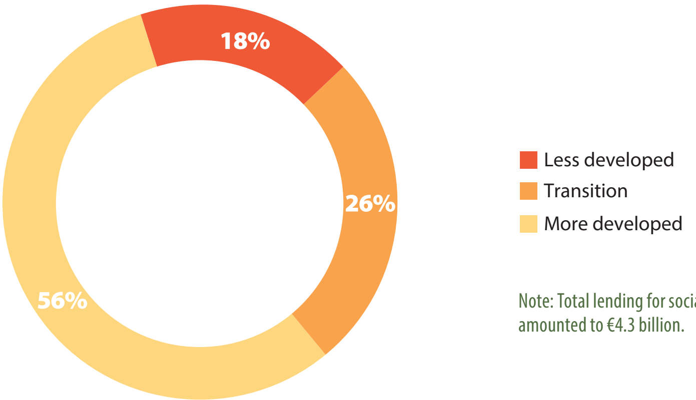
25. OECD Programme for International Student Assessment (PISA), various vintages.

UNLOCKING POTENTIAL THROUGH SOCIAL INVESTMENTS

Targeted social investments are key to unlocking regional labour potential. The creation and retainment of quality jobs requires an efficient allocation of labour and skills, increasing labour force participation, and more generally, growth of talent in both cohesion and non-cohesion regions. However, existing structural weaknesses, such as a lack of affordable and social housing, energy inefficiencies, insufficient digital connectivity and limited accessibility to essential services, hamper people's mobility and affect their equality of opportunities.

Recognising this, in the three years from 2021 to 2023, the territorial distribution of EIB investments in social infrastructure was in line with overall EIB lending in the European Union, with 44% in EIB cohesion regions and 56% in more developed regions (Figure 15). These data confirm evidence of a stronger demand for social infrastructure from regions with more favourable demographic trends.

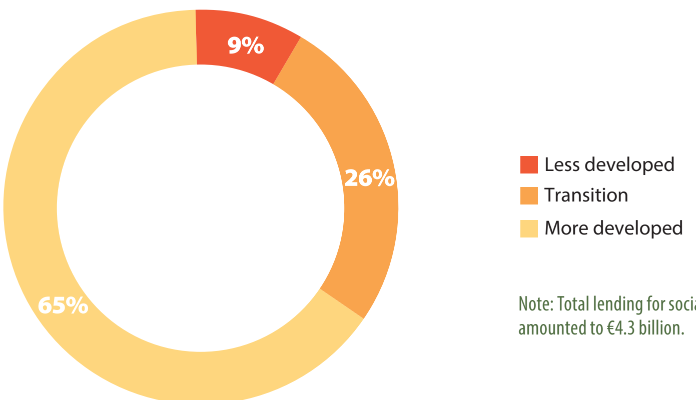
Figure 15 – Social infrastructure by cohesion region typology



Note: Total lending for social infrastructure in the European Union in 2021-2023 amounted to €4.3 billion.

Specifically, EIB support for health infrastructure was higher in cohesion regions (49%) compared to the average EIB lending activity in the European Union, followed by education infrastructure (43%) and social and affordable housing (35%) (Figure 16). Lending for health infrastructure in less developed regions represented the highest share at 27%, where remaining bottlenecks in basic provision are continuing to be addressed and overall access has been improved. By contrast, in these same regions, only 9% of the EIB's lending business was devoted to social housing.

Figure 16 – Social and affordable housing by cohesion region typology



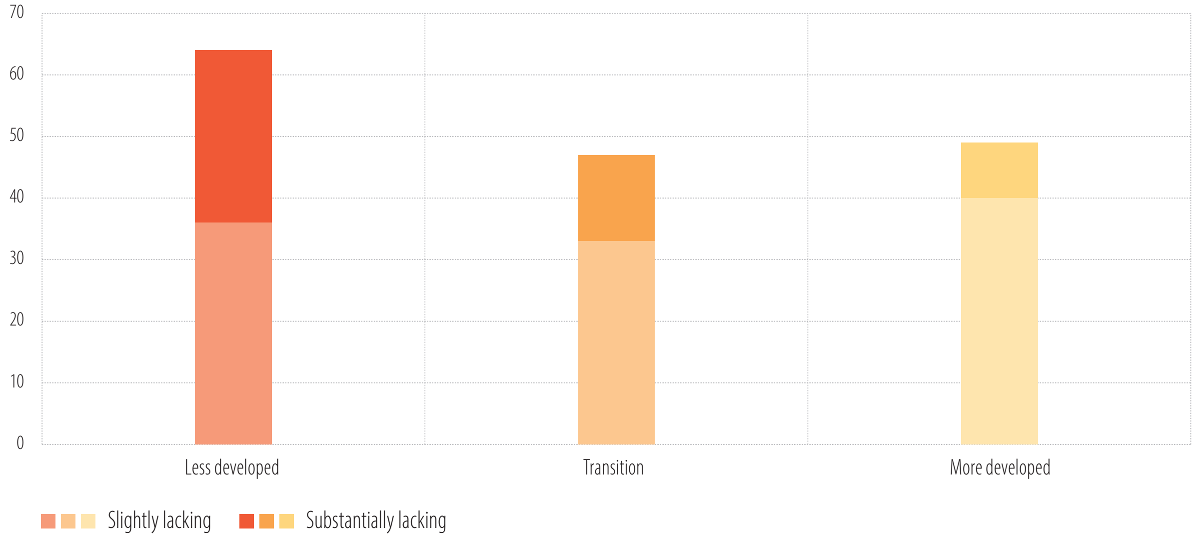
Note: Total lending for social and affordable housing in the European Union in 2021-2023 amounted to €4.3 billion.

Such investment patterns respond directly to the social challenges generated by the rapid growth of many larger urban centres in more developed and transition regions in terms of access to social services in the swiftly expanding suburbs, and to affordable housing in metropolitan areas in general. In this respect, social cohesion and inclusion remain a key issue in developed regions as well, and EIB lending for social infrastructure addresses this emerging reality. The highest concentration in more developed regions is especially pronounced for social and affordable housing, which in recent years has also been affected by efforts to address migratory flows in some countries.

Affordable housing plays an important role in social cohesion and well-being. Wider access to decent, affordable (including social housing[26] with government-subsidised rents and/or public ownership) and suitably located housing remains key for social equity. This is because it facilitates attachment to local communities, social inclusion, and the development of social capital for all, regardless of income or social status. At the same time, by not holding back the mobility of people, affordable housing in physical proximity of vibrant economic centres fosters labour mobility and supports the allocation of labour and skills where they are most needed. This acts as a growth catalyst both for the region itself and its surrounding areas.

Across all regions, many households have faced pressure from housing affordability that has widened social and economic divergence. Housing is generally the largest single expense for households, either in the form of rent or mortgage payments. Between 2015 and 2023, house prices and rents in the European Union have risen by 48% and 13%, respectively, often turning the costs of housing into a serious burden, particularly in regional capitals and second- and third-tier city areas. While house prices have risen the most in Hungary (196%), Lithuania (114%) and Czechia (112%), rents have risen the most in Lithuania (68%), Estonia (59%) and Poland (58%). At the same time, 45% of households in all regions, and over two-thirds of municipalities in less developed regions (where the provision of social housing is extremely limited), say that there are investment gaps in social housing, which exert further pressure on already squeezed housing markets (Figure 17).

Figure 17 – Municipalities with investment gaps in social housing (% of respondents)



Source: EIB Municipalities Survey 2020.

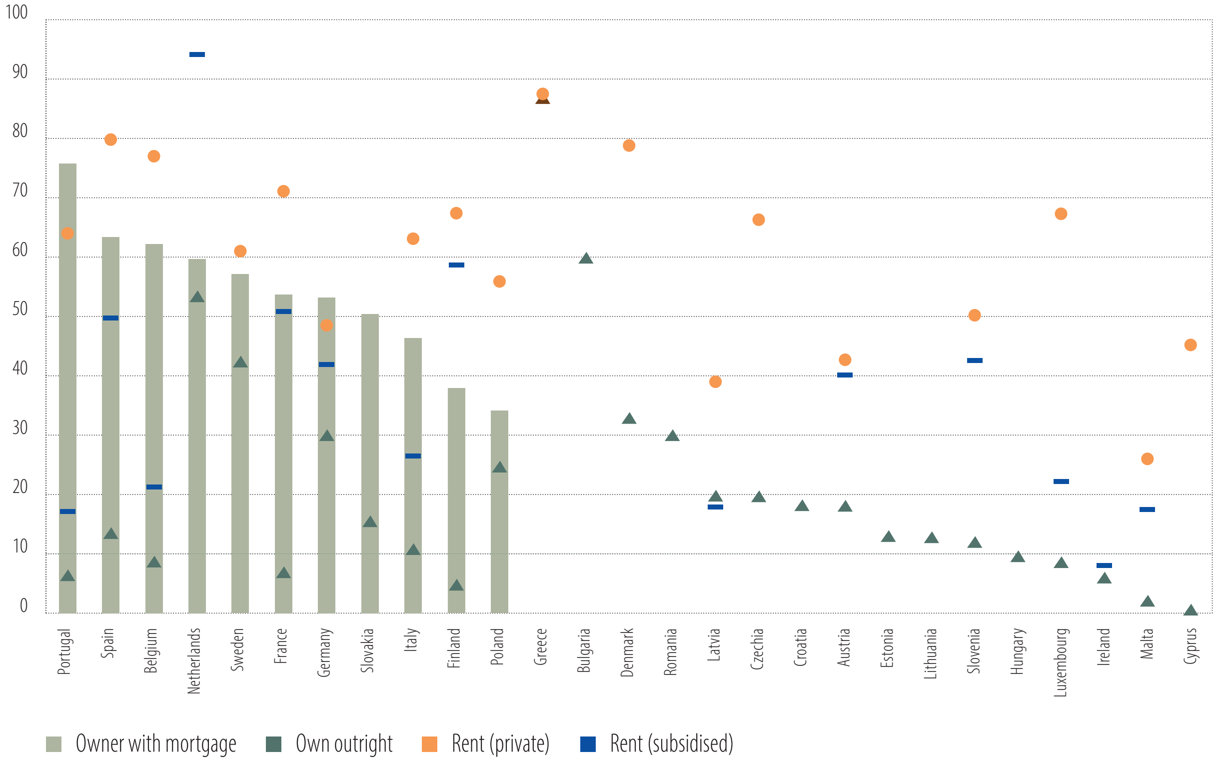
26. Recognising the diverse terminology used for social and affordable housing across Member States, for operational purposes the EIB understands social housing as housing provided primarily for renting to the most economically and socially vulnerable members of society by authorised providers based on allocation criteria or operating structures regulated by public authorities. Affordable housing is understood to cover housing or specialist accommodation (such as for students, seniors and key workers) that is made available on terms less favourable than for social housing but still below market rates, according to public policies, regulations or criteria. Allocation criteria apply to target recipients, such as income level, residency or citizenship, student status, family status, disability, etc.

- The aggregate again disguises regional and socioeconomic disparities. Housing costs affect low-income households in southern European regions the most. For example, over 85% of renting households in Greece and over 75% of Portuguese households with mortgages are financially overburdened (Figure 18).

- Measuring housing affordability through the housing cost overburden rate, which shows the share of the population living in a household where total housing costs exceed 40% of disposable income, it is estimated that around 9% of people in the European Union lived in such households in 2022. The rate is slightly higher in cities, at 10.6%. For low-income households living in rented accommodation, the rates are alarming in many Member States – for example, over 70% in Belgium, Denmark, Spain and France, and over 85% in Greece (Figure 18). The aggregate again disguises regional and socioeconomic disparities, which are higher in urban areas where they further aggravate the divide among different social segments of the population.

- The housing market affects the mobility of young people disproportionately, particularly in high-growth regions due to rising rents, house prices, and insufficient investment in social and affordable housing. Due to these constraints, young adults increasingly tend to live with their parents or benefit in some other way from the latter's household income. In some countries like Greece or Italy, around three-quarters of young adults aged 18 to 34 currently live with their parents.[27]

Figure 18 – Total housing cost overburden rate among low-income households, by tenure



Note: Share of households in the bottom quintile of the income distribution paying more than 40% of disposable income on total housing cost, by tenure, in %, 2022 or latest year available. Statistics not available for every country.
Source: EU statistics on income and living conditions (EU-SILC).

27. No Home for The Young (oecd.org)

ADVISORY FOCUS

VALENCIA PUBLIC SOCIAL HOUSING THROUGH THE GENDER LENS

Valencia is the third largest city in Spain, with over 800 000 residents. Access to affordable housing has been particularly challenging for low and middle-income residents in recent years, amid rising rental prices and a lack of affordable housing options. Tackling that problem is key to improving the quality of life everyone in the city.

In 2021, the EIB granted a loan of up to €27 million to the Sociedad Anónima Municipal Actuaciones Urbanas de Valencia (AUMSA), a municipal company owned by the city of Valencia, to promote affordable public rental housing projects. The loan will finance the construction of 323 new units, and the rehabilitation of four existing units, across Valencia. The new units will increase AUMSA's housing stock by over 50%.

But tackling availability is only one part of the equation. As the housing problem poses different challenges for men and for women, applying the gender lens is key to achieving an equitable and sustainable solution.

Mainstreaming gender considerations was a major focus of EIB support for the Valencia public rental housing project, taking the form of a tailor-made **advisory package** for AUMSA. Together with the Universitat Politècnica de València (UPV), EIB experts provided AUMSA with technical assistance in reviewing the strategy to mainstream gender in AUMSA Valencia's housing plan 2018-2021. The existing strategy contained some criteria and indicators to incorporate a gender perspective in the housing plan. The objective of this review, with EIB advisory support, was to update and strengthen the gender perspective further, mainstreaming gender in even more substantive and profound ways.

This involved reviewing technical specifications for the construction of the new housing units, filtered through a gender angle. In practical terms, this means designing infrastructure that fosters accessibility and a sense of security for women: parking spaces for prams and strollers, spaces without hidden corners and niches, well-lit walkways and staircases, as well as playgrounds clearly visible from within the housing units.

Advisory support to promote gender mainstreaming also covered the criteria used to allocate housing units. Related EIB recommendations, in the form of checklists of guiding questions to be applied when assigning housing to applicants, included the consideration of women's situation-specific housing needs, highlighting gender and social equality issues to be considered when allocating affordable rental housing units.

Access to essential services is key for labour market and social inclusion. Insufficient or deteriorating access to public employment services, primary school, early childhood education and care, or healthcare services in a region is not only detrimental to individual well-being and equality of opportunities, but also affects labour supply amid tight labour markets.[28] The extent to which such services are accessible to people across EU regions hinges on several factors, including physical accessibility, capacity, and awareness. Discontent with this situation has been particularly strongly voiced by populations living in economically lagging and low-income regions.

- While physical accessibility of all services is generally high for large shares of the population across EU countries, significant differences in accessibility to employment services or childcare exist outside metropolitan and other well-served regions and deteriorates with declining regional income per capita.
- The need for frequent use of motor vehicles further impacts inequalities in accessibility. For example, while median driving times without congestion to reach employment services are on average below 20 minutes, they exceed 30 minutes in many cohesion regions.
- Access to healthcare, a key ingredient for well-being and a productive life, varies with household income and geographic location. For example, low-income households in cohesion regions have the poorest access to hospitals, with driving times even in periphery regions around bigger cities exceeding 30 minutes.
- Limited accessibility to all services in many regions thus arises from less developed transport infrastructure, which is often a result of fewer facilities per capita, lower population density, or slow adaptation to demographic and economic expansion.

28. OECD (2024). "Geographic inequalities in accessibility of essential services", OECD Social, Employment and Migration Working Papers No 307.

Digital connectivity is another key enabler for active social participation, access to services, and efficient allocation of skilled labour across regions. Driven also by the pandemic push to increase reliance on digital services, broadband deployment and internet performance improved significantly between 2020 and 2022. Average download speeds increased by more than half from 70 Mbps to over 120 Mbps.[29]

- This increase disguises a rural-urban divide, and the gap between regions in North-Western and South-Eastern Europe has grown. For instance, while in 2022, metropolitan regions and municipalities in France and Denmark exhibited connection speeds beyond 150 Mbps, even in most rural areas, a significant percentage of municipalities and rural regions in Greece, Croatia and Cyprus had connections slower than 60 Mbps.
- Europe's Digital Decade programme has set a target for full gigabit coverage by 2030. Speed performance is directly related to the development of the infrastructure. With an average European coverage in high-speed internet infrastructure of around 60% in 2022, more needs to be done to upgrade the entire network and close significant access gaps.

ADVISORY FOCUS

SUPPORT FOR ROMANIA'S DIGITALISATION

Romania still has a long way to go to achieve the goals of the EU Digital Decade by 2030. According to the Digital Economy and Society Index (2022),[30] the availability of digital public services for individuals in Romania scores 44 compared to the EU average of 75, with only 17% of internet users currently using e-government services.

Post-pandemic, the demand for online services surged, prompting the government to step up digitalisation. Over 20% (€6 billion) of Romania's allocation under its Recovery and Resilience Plan are allocated to initiatives to digitalise public administration, improve connectivity, cybersecurity and digital skills, and develop an integrated e-health and telemedicine system.

The EIB Project Advisory Support programme has been supporting these efforts with two project advisory support service agreements. In support of the Romanian National Agency for Public Procurement (ANAP), the first such agreement assessed 60 information and communication technology projects' tender documentation, in order to prevent competition distortion and to support public buyers in concluding contracts that would support their digital ambitions. The analysis helped identify non-conformities and areas for improvement, and supported knowledge sharing.

In 2023, a new project advisory support service agreement was signed with the Romanian Ministry of Research, Innovation and Digitalisation to support the Authority for the Digitalisation of Romania (ADR). The agreement will support ADR until 2026 in building capacity and helping the initial deployment phase of the €600 million government cloud project, with an initial focus on procurement aspects. The EIB agreement will help ADR reach the cloud migration milestones that will enable access to the related EU funds. This represents one of the largest and most complex advisory assignments that the EIB has undertaken to date. Once completed, the government cloud will enhance the interoperability of public information technology systems, reduce bureaucracy, improve collaboration and information sharing between government institutions, and provide support from advanced cybersecurity systems. Access to e-services by people in Romania will become faster and safer.

29. Internet Speed in Europe (europeandatajournalism.eu), Ookla Global Fixed and Mobile Network Performance Maps.
30. https://digital-strategy.ec.europa.eu/en/policies/desi

A catalyst for progress in the provision of essential social infrastructure, government capacity, particularly at the local level, needs to keep pace. Well-functioning local governments are crucial for creating an environment that is conducive to local economic and social activity, at the private and public sector level. The quality of institutions also affects the effectiveness of resource allocation (including public investments), which is one of the key factors supporting further economic integration and facilitating exchange and cooperation between regions and beyond.

- The multidimensional European Quality of Government Index (EQI)[31] indicates that there is substantial room for improvement, particularly in the Southern and Eastern regions, with large regional variation within individual countries. Conversely, Northern and Western regions tend to have relatively higher-quality local governments, confirmed by similar values of the index both at the regional and national level. Lagging and low-income regions show significantly lower index values.
- These quality and capacity constraints may become even more entrenched in the future, as insufficient funding, regulatory hurdles, and a lack of skilled labour are already constraining project implementation today.[32] Less effective governments thus create another barrier for successful convergence and social cohesion. An analysis of EU regions confirms that administrative capacity and regulatory quality play a significant supporting role for regional government investment programmes.[33]

Alleviating these cohesion barriers in a timely and targeted manner will require the frontloading of substantial investments amid a significant funding gap. The funding gap constitutes a significant challenge given a more limited fiscal space and increasing debt-to-GDP levels across EU Member States. However, investments in better skills and education, affordable housing, connectivity, and access to services will help to bridge the current divide between cohesion and non-cohesion regions across all EU countries, improve the well-being of all, and support sustainable growth amid economic and social transitions.

31. The index, a cooperation between the Quality of Government Institute and the University of Gothenburg, evaluates the quality of governance at the regional level since 2010 across the European Union.
32. EIB Municipalities Survey 2022-2023.
33. EIB Investment Report 2023/2024, Chapter 2, p. 69-72.


SPIC

EIB SECTOR-SPECIFIC PROJECT RESULTS

The following pages present a selection of key sector-specific project result indicators for operations that were first signed in 2023.[34] 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.)[35] and are based on data gathered at appraisal for each project located in a cohesion region.

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 2023 are expected to generate employment of about **774 300 person-year equivalent** jobs over the implementation period.

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 2023 are expected to generate over **30 000 full-time equivalent jobs**.

Projects supported by the Bank can also generate significant indirect or induced employment effects. A new railway connection may lead to the creation of new jobs 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 investments in small and medium enterprises 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. The Bank's operations in support of SMEs and mid-caps in 2023 are expected to **sustain a further 636 000 jobs among SMEs and mid-caps**.

34. 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.
35. 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 priority areas. 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 2023 (in other words, projects financed in 2023, which were already partially financed by the EIB in previous years, are excluded from these figures).

Education		
Surface area of new or rehabilitated educational facilities	342 547	m^2
New educational and ICT equipment supplied	347	units
Enrolled students benefiting from student loans	79 100	beneficiaries
Health		
Surface area of new or rehabilitated health facilities	31	m^2
New or refurbished health facilities	2 251	beds
Equipment and ICT supplied to health facilities	83	€ million
People with access to improved health services	5 755 000	beneficiaries
Patients benefiting from improved health services	84 392	beneficiaries
Bioeconomy		
Agricultural land with improved management	1 770	ha
Forestry land with improved management	35 112	ha
Farmers, foresters and fish producers receiving support for investment	11 700	beneficiaries
Drinking water supply		
Water mains or distribution pipes installed or rehabilitated	5 338	km
Combined collectors installed or rehabilitated	11	km
Capacity of new or rehabilitated water treatment plants	80 861	m^3/day
New or rehabilitated domestic water supply connections	16 316	units
People benefiting from safe drinking water	59 194	beneficiaries
People benefiting from improved sanitation services	62 758	beneficiaries
Wastewater collection and treatment		
Sewer and/or stormwater pipes installed or rehabilitated	1 117	km
Capacity of new or rehabilitated sewage treatment plants	1 052 000	population equivalent
Capacity of new or rehabilitated treatment facilities	126 000	tonnes/year
Capacity of new waste facilities	150 000	tonnes/year
Waste handled in new or rehabilitated facilities	1 916 000	tonnes/year
Recyclable bio-waste collected separately	4 517 000	tonnes/year
People served by new waste treatment facilities	1 324 000	beneficiaries
Renewable energy		
Electricity generation capacity from renewable energy sources	8 629	MW
Electricity produced from renewable energy sources per year	20 104	GWh/year
Households supplied with the electricity generated	6 067 000	beneficiaries
Energy networks		
New or upgraded power cables for electricity transmission and distribution	20 453	km
Capacity of new or upgraded electricity sub-stations	3 324	MVA
Smart energy meters installed	8 477 000	units
Incremental demand supplied	338	GWh/year

OUTPUT OUTCOMES

Energy efficiency		
Refurbished energy-efficient housing units	3 549	units
Households in refurbished energy-efficient housing	101 520	households
Urban renewal and rural development		
New or upgraded surfaces	26	ha
Developed or remediated open spaces	1 005	ha
New or renovated social, cultural and recreational facilities	526	units
Beneficiaries of new or improved infrastructure	8 621 000	beneficiaries
Beneficiaries with access to new or upgraded urban infrastructure	2 975 000	beneficiaries
Visitors per year of new or renovated cultural, recreational and sports facilities	3 015 000	beneficiaries
Social and affordable housing		
New or refurbished affordable housing units	4 200	households
Households in new or refurbished social, affordable homes	4 200	households
Sustainable transport		
New or upgraded rail tracks	2 326	km
New or upgraded public transport lanes or tracks	45	km
New or upgraded stations or stops	3 262	units
Vehicles or rolling stock purchased or rehabilitated	842	units
Alternative fuel stations	9 900	units
Additional trips on public transport per year	68 264 000	trips
Time savings per year	73 000 000	million hours/year
Vehicle operating cost savings per year	30 000 000	€ million
Strategic transport		
New or upgraded road lanes	2 496	km
Road fatalities avoided	82	
Daily beneficiaries of improved road infrastructure	64 728	beneficiaries
Research, development and innovation		
Additional potential sales	28	€ billion
New employment of staff	14 420	FTE
Information and communication technologies		
3G, 4G and 5G sites installed	16 989	units
Homes upgraded to fibre to the home (excluding VDSL)	203 069	units
Additional subscribers with 5G services enabled	6 856 000	beneficiaries
Homes connected to fibre to the home (excluding VDSL)	37 054	units

OUTPUT   OUTCOMES

CASE STUDIES

EIB

RESEARCH, DEVELOPMENT AND INNOVATION

ITALY – INNOVATION IN HEARING CARE

About 1.5 billion people have some degree of hearing loss, and 430 million people – over 5% of the world population – suffer from disabling hearing loss that needs rehabilitation. This number is expected to exceed 700 million by 2050, according to the World Health Organization.[36]

Untreated hearing loss costs nearly $1 trillion a year globally in terms of health sector and societal costs, productivity loss and educational support. Investment in devices that improve the lives of sufferers is important, especially as populations grow older. Untreated hearing loss can increase the risk of dementia and affect other aspects of life, including communication and speech, education (in some developing countries, children with hearing loss and deafness do not attend school), employment (unemployment is much higher for adults with hearing loss), stigma, and social isolation.

Amplifon began as a small store in Milan, opened in 1950 by Algernon Charles Holland, a former British special forces officer. It now has a global network of 9 500 shops and hearing clinics and some 20 000 collaborators worldwide. Amplifon estimates that through the free hearing tests it provided in 2022, the company enabled the healthcare systems of the 25 countries in which it operates to save €289 million.

In July 2023, the European Investment Bank signed a €300 million loan with Amplifon (the first part of €350 million in financing approved by the Bank) to help the company continue innovating, digitalising and improving its services. 18.5% of the investments under Amplifon's digitalisation and innovation plan will be located in cohesion regions.

Furthermore, Amplifon has a clear diversity and inclusion policy in support of gender equality: 56% of its board of directors, 44% of managers, and 72% of the total workforce are women. Nearly half of the staff occupy roles in science, technology, engineering and mathematics, and women hold 67% of those roles.

36. https://www.who.int/news-room/fact-sheets/detail/deafness-and-hearing-loss

EDUCATION

FRANCE – THREE LEVELS OF EDUCATION

This project concerns the construction of the Cité Scolaire Internationale de Marseille (CSI), which will provide three levels of education: primary (école), lower secondary (collège) and upper secondary (lycée). It is the first free public establishment of this scale in the Sud region of France. It is one of the flagship components of the Euroméditerranée eco-friendly urban regeneration project[37] and aims to provide Marseille and its regional territory with a good quality public international education offer, accessible to students from all socioeconomic backgrounds, to reinforce its economic and cultural appeal and to promote social and educational mixing. This large-scale project also makes the Sud region more attractive, as the area has one of the most dense networks of educational establishments in the country.

With 2 200 students benefiting from new infrastructure in an international public school, CSI highlights the crucial role of public investment in shaping tomorrow's society, and in educating the future generations. The school will boost public training investment in France, in keeping with other countries with similar economic and demographic characteristics. The project strengthens the European Union's economic, social and territorial cohesion, with 100% of the investment costs also coming under the EIB's cross-cutting objective of climate action and environmental sustainability.

The operation consists of a €20 million loan for the Sud Provence-Alpes-Côte d'Azur region and €18 million for the department of Bouches-du-Rhône. The Sud region, the Bouches-du-Rhône department and the city of Marseille are bound by a tripartite agreement, which makes them responsible, respectively, for upper secondary, lower secondary and primary schools.

37. https://www.euromediterranee.fr/

HEALTH

SPAIN – HEALTHCARE INFRASTRUCTURE FOR OLDER PEOPLE

Spain faces rising demand for formal long-term care services due to demographic shifts caused by an ageing population, declining fertility rates, and changing family structures.

The EIB supports Vitalia Plus SA, a private sector provider currently employing around 4 600 people (93% of whom are women). It collaborates with the public sector, operating certified long-term care homes and rehabilitation hospitals for Spain's autonomous communities. An EIB investment loan of €90 million will support Vitalia's 2023-2026 expansion plan by financing new facilities, including long-term care centres, rehabilitation hospitals, and assisted living apartments. The new buildings will be energy efficient and make a substantial contribution to climate change mitigation under the European Union's green taxonomy.

The project addresses the growing need for quality care services in urban centres, spanning seven Spanish autonomous communities (Andalusia, Aragón, the Basque Country, Cantabria, Catalonia, Madrid and Murcia). It tackles a sub-optimal investment situation in the European health and care infrastructure markets due to market failures originating from the public goods nature of healthcare services, and also contributes to cohesion regions. The project aligns with InvestEU's social investment objective, aiming to create long-term care centres in urban areas, enhancing access to affordable care for older people, and generating employment opportunities.

REGIONAL AND URBAN DEVELOPMENT

POLAND – REVITALISING KRAKÓW

In today's rapidly evolving global landscape, urban development is a critical driver of economic growth, social progress and environmental sustainability. Cities serve as engines of innovation, centres of commerce and hubs of cultural exchange, shaping the lives of millions. Recognising the pivotal role of urban centres in fostering inclusive and resilient societies, the European Investment Bank has extended its support to enhance urban development initiatives in Kraków, Poland.

Kraków was founded in the seventh century and has since grown to the second largest city in Poland. With its old town declared a UNESCO World Heritage site, along with a rich historical heritage and cultural scene, Kraków represents a dynamic urban landscape. Nevertheless, like many cities across Europe, it faces pressing challenges ranging from demographic changes and infrastructure deficiencies to social inequality. Importantly, Kraków has also seen the arrival of a significant number of Ukrainian refugees since the beginning of Russia's invasion of Ukraine, who currently account for approximately 19% of the city's population. Addressing these challenges requires targeted efforts and strategic investments in urban renewal and revitalisation.

In 2023, the EIB granted a €127 million loan to Kraków to support a comprehensive urban development project. This will unlock the city's full potential, to foster sustainable growth and to improve the quality of its residents' lives. In addition, the EIB loan seeks to alleviate the increased demands for municipal financing in Kraków for greater infrastructure capacity, to improve the quality of services, and to continue to deal with higher expenditure in view of the longer-term implications of the war in Ukraine and the number of Ukrainian refugees being hosted in the city.

The project includes a wide range of initiatives to modernise infrastructure, enhance public spaces, promote sustainable mobility, and foster social inclusion. The investments will help revitalise neglected neighbourhoods, preserve cultural heritage sites, and create urban spaces for community engagement. By investing in green spaces, parks and recreational facilities, the project will also improve people's overall quality of life in Kraków and promote social cohesion among its diverse inhabitants.

In addition, the investments will address the specific needs of women by improving the accessibility of urban infrastructure and services. These gender principles are well rooted in the city's development and sectoral strategies as well as in the city's gender equality plan. Following its urban development strategy, Kraków also promotes mixed neighbourhoods, integrating refugees, mostly women with children, with other residents, hence ensuring equal rights to access public infrastructure and services.

REGIONAL AND URBAN DEVELOPMENT

GERMANY – ROSTOCK ENERGY-EFFICIENT SOCIAL HOUSING

The municipally owned housing company WIRO (Wohnen in Rostock Wohnungsgesellschaft) in Rostock, Germany, is building and renovating 561 affordable housing units. The EIB provided €100 million of financing in 2023 in support of this project, which will benefit 1 740 of the city's residents.

The operation seeks to address social inclusion and provide more equitable access to housing for low- and medium-income households. It will contribute to the urban renewal of derelict or former industrial land and deliver new modern and energy-efficient social and affordable housing. The modernisation of the existing housing stock will improve living conditions and overall quality of life for the occupants, while the construction of new units will increase the supply of social and affordable housing for rent, positively influencing the market's ability to respond flexibly to housing needs. This is particularly important as current circumstances are marked by high inflation and market volatility, making housing projects riskier and less profitable.

More widely, the operation is expected to improve the quality and appeal of the built environment, including through climate mitigation and adaptation measures. High energy efficiency standards will lead to lower operating costs and energy bills for low- and medium-income tenants.

The investments supported are in line with the city's housing policy and urban development strategy and contribute to social inclusion in the German state of Mecklenburg-Western Pomerania, particularly in terms of alleviating social segregation. They also support the sustainable urban development and social inclusion objective of the European Regional Development Fund (ERDF) Programme 2021-2027 for the state of Mecklenburg-Western Pomerania. The energy performance of the new housing units will be in line with the requirements of the technical expert group on the EU taxonomy.

The operation contributes to the achievement of the UN Sustainable Development Goals for sustainable cities and climate action. It is in accordance with the provisions of the 2016 Urban Agenda for the EU, the new Leipzig Charter for sustainable urban development, and the 2022 Nice Declaration on Housing. It is also in line with the Energy Performance of Buildings (EPBD) Directive (Directive 2010/31/EU of the European Parliament and of the Council of 19 May 2010 on the energy performance of buildings, amended by Directive (EU) 2018/844). Finally, this operation is also eligible under Article 309(a) projects for developing less developed regions and (c) projects of common interest of the Treaty on the Functioning of the European Union.

REGIONAL AND URBAN DEVELOPMENT

ESTONIA – EU FUNDS CO-FINANCING 2021-2027

Estonia is classified as an EU transition region, with a need to develop a more research-intensive and resource-saving economy, accelerate the digital and green transition, and foster balanced socioeconomic and territorial development. Furthermore, the north-eastern county of Ida-Virumaa, on the Russian border, qualifies as a just transition territory because of its need to phase out the use of shale oil for electricity production by 2035 and reach climate neutrality by 2050.

The economy's need to evolve has increased since Russia invaded Ukraine, with the Estonian economy contracting due to disruptions in trade, weaker export demand, high inflation and tight monetary conditions.

The Estonian Programme for Cohesion Policy Funds 2021-2027 comprises a total of €5.2 billion to be allocated under the European Union's European Regional Development Fund (ERDF), the Cohesion Fund (CF), the European Social Fund Plus (ESF+) and the Just Transition Fund (JTF).

In 2023, the EIB signed the first tranche of a €700 million facility to fund the government's co-financing obligation for the programme, helping to kick-start the implementation of its investment projects until 2027. The programme and its projects have been developed within the framework of a comprehensive long-term national development strategy, action plan and up-to-date sector strategies, reflecting national reform priorities. EIB-financed investments will contribute to the EIB's policy objectives of sustainable cities and regions (45%), and innovation, digital and human capital (41%). Additionally, some of the investments are expected to favour sustainable energy and natural resources, and SME development.

The benefits of the combined EU and EIB financing will be felt across the economy and society. It is expected to improve the research and development output, innovation-enabling infrastructure, and knowledge and skills in Estonia, with positive spillovers throughout the economy, notably in the form of increased labour productivity. Investments in small and medium businesses should help increase their growth potential and competitiveness, hence resulting in a higher export capacity and better positioning in global value chains, which will in turn boost their internationalisation. There will also be greater reuse and recycling of resources, including the more efficient use of water and a reduction of waste from production processes, thanks to a circular approach that will promote competitiveness and lower emissions, along with better environmental conditions. Improvements in sustainable mobility, energy efficiency and housing quality are expected to deliver savings and comfort but also reduced carbon emissions. More widespread adaptation of infrastructure to climate extremes, as well as resilience to disasters can also be expected, along with improvements to the natural environment and its biodiversity and ecosystems.

ADVISORY FOCUS

FI-COMPASS SUPPORT FOR COHESION-FUNDED FINANCIAL INSTRUMENTS

fi-compass is an advisory platform designed to promote greater use of financial instruments under EU cohesion policy. As a mandate of the European Commission, it focuses on raising awareness, and building the knowledge and capacity of national and regional authorities managing the cohesion funds, as well as other stakeholders such as financial intermediaries and national promotional banks.

Seen as an efficient way to leverage and recycle public funds, the fi-compass platform promotes greater use of financial instruments by building knowledge in the key lifecycle components of a financial instrument, including feasibility, design, intermediary selection, implementation, monitoring and reporting.

The support is delivered through events/webinars, training and peer-to-peer learning, case studies, research, the development of model financial instruments in key policy sectors, and the preparation of feasibility studies and surveys to assess the demand for and design of new instruments. Key sectors for the use of such instruments include SME access to finance, the green transition, innovation, skills and education, microfinance, and urban and social infrastructure. Where feasible, EIB Group co-financing and/or fund management mandates are also recommended.

Examples of some of fi-compass's activities in 2023 include:

- undertaking a feasibility study for the design of a multi-regional financial instrument in Romania, in support of a potential new EIB mandate;
- organising the flagship fi-campus event in March to raise awareness of financial instrument opportunities and showcase the EIB Group's role, attended by over 400 financial instrument practitioners and stakeholders;
- organising technical workshops with the European Commission and managing authorities on implementation challenges such as grant combinations and state aid.

TRANSPORT

PORTUGAL – IMPROVING MARITIME ACCESSIBILITY

The Port of Leixões, the largest seaport in the north of Portugal, is a vital maritime hub for the country and broader European trade networks. With a rich history dating back centuries, Leixões has played a pivotal role in facilitating commerce, connecting Portugal to global markets and fostering economic growth.

The port is also one of the most competitive and versatile multipurpose ports in Portugal, representing 20% of its seaborne foreign trade, and handling more than 15 million tonnes of commodities annually. Recognising the strategic importance of the Port of Leixões and its potential for further development, the EIB provided an investment loan of €60 million in 2023, to propel the modernisation and expansion efforts of the region.

As a gateway for the trade of goods, the Port of Leixões faces evolving demand and challenges in today's dynamic global trade landscape. EIB financing has been directed towards critical areas aimed at boosting the port's capabilities and sustainability.

The investment will increase the efficiency and safety of port operations and will enable larger vessels to enter the port. The availability of high-quality port facilities that can accommodate 78% of the world's container ship fleet and that are well connected to the hinterland enables importers and exporters to optimise their supply chain and increase their competitiveness.

By integrating renewable energy sources, implementing energy-saving measures, and adopting eco-friendly practices, the Port of Leixões also aims to reduce its carbon footprint and help to mitigate climate change. By investing in the port, the Bank aims to promote economic, social and territorial cohesion, as the investments will be made in an EU convergence region in Portugal.

Overall, the EIB investment represents a significant milestone in the port's evolution, paving the way for enhanced efficiency and sustainability, and enabling it to compete in the global maritime arena. This investment underlines the EIB's commitment to fostering inclusive and sustainable development and unlocking the full potential of Europe's critical infrastructure in cohesion regions.

SUSTAINABLE ENERGY

CZECHIA – UPGRADING AN URBAN HEAT GENERATION AND DISTRIBUTION SYSTEM

This project concerns the upgrade of the heat generation and distribution system in the city of Brno. It involves building a 32 MWth and 9.47 MWe combined heat and power biomass unit fuelled by wood chips, upgrading 5.0 km of pipelines and building 5.5 km of new pipelines.

The operation consists of a €75 million loan for Teplárny Brno, a district heating company fully owned by the city of Brno, providing 3.850 TJ of heat per year to over 100 000 households. The favourable financing conditions provided by the EIB loan will support the borrower's financing needs in the very capital-intensive energy industry.

The investment represents a significant step in the planned decarbonisation of heat supply in Brno and reduces the borrower's dependence on gas supplied from external sources. Notably, the investments aim to increase heat production from renewable fuel and cut back on the use of natural gas, to lower network losses by modernising the grid and eliminating steam pipelines, as well as to connect new customers.

NATURAL RESOURCE USE, MANAGEMENT AND PROTECTION

BULGARIA – IMPROVING AGRICULTURE STORAGE

Bulgaria's ports are increasingly important staging points on the supply route of food from Ukraine to the rest of the world. But bottlenecks around the ports lead to extra CO_2 emissions and additional costs for shippers, transport operators, businesses and, ultimately, consumers. That's why one of the country's leading grain trading and processing companies, Buildcom Group, is building a major new port terminal at Varna on the Black Sea coast.

Addressing the lack of infrastructure at Bulgarian ports became even more urgent when Russia invaded Ukraine in 2022. The Port of Constanța was overloaded by the increase in Ukrainian grain, yet cargo could not be shifted to Varna as it was not equipped to deal with the extra ships and cargo.

A €50 million EIB loan will help modernise Varna's port, support food security, promote greener maritime transport, and boost economic growth in the region by improving access to the export market for local agricultural producers. The loan is backed by the InvestEU programme.

The new terminal will enable some port handling operations to be transferred from the current location close to the city centre, to a more remote location on Lake Beloslav near Varna. It will also open the way for more and bigger vessels by increasing the depth at the quays to 13.5 metres, and enable the implementation of a modern system for grain storage and transport, as well as new handling equipment, new railway and road access, utilities networks, and technical and administrative buildings. Expanding the port will ultimately reduce road transport, shifting freight to less carbon-intensive maritime transport.

At the same time, cargo passing through the centre of Varna will be significantly reduced, as the new port infrastructure will be moved to the interior part of Lake Varna, away from populated areas; this will benefit the city's residents in terms of noise and air pollution.

WATER, WASTEWATER AND SOLID WASTE

CYPRUS – WASTEWATER FACILITIES FOR PERI-URBAN COMMUNITIES

Cyprus has 57 urban wastewater agglomerations, each with a population equivalent of more than 2 000. Some of these agglomerations are still non-compliant with the Urban Waste Water Treatment Directive (UWWTD) (Council Directive 91/271/EEC).

Three EIB loans totalling €100 million will help Cyprus to connect currently unserved rural and peri-urban municipalities to existing wastewater treatment plants that already have the capacity to treat the additional flows, to ensure compliance with the EU Directive. The three areas targeted by the project are managed by three distinct sewerage boards, namely the Sewerage Board Nicosia (SBN), the Larnaca Sewerage and Drainage Board (LSDB) and the Sewerage Board of Limassol-Amathus (SBLA). The project will install or rehabilitate 453 km of sewer and/or stormwater pipes, providing improved sanitation services to about 14 100 people.

The project involves preparatory studies as well as the construction of the necessary infrastructure. It will generate significant positive environmental benefits, including avoided public health costs, improved water quality, reduced greenhouse gas emissions, as well as benefits from enabling socioeconomic development. It will also help the country adapt to the impacts of climate change, particularly droughts, by increasing the availability of treated wastewater available for reuse in irrigation.

The operation consists of three loans, one each for the respective sewerage boards, for a total amount of €100 million. The project investment cost is co-financed by the Council of Europe Development Bank (CEB) and the European Commission.

WATER, WASTEWATER AND SOLID WASTE

ROMANIA – IMPROVING URBAN WASTE MANAGEMENT

Romania generally struggles with inadequate municipal waste management, limited recycling and excessive landfilling. As is the case across the country, the county of Galați, a cohesion region in southeast Romania, faces challenges in waste management related to the significant volume of waste being processed in landfills and to the compliance of landfilling with national and EU requirements.

The €14.4 million loan from the EIB signed in 2023 aims to help the county create an integrated waste management system that is in line with national and EU targets, while improving environmental sustainability, protecting public health, and enhancing resource recovery.

The Galați project covers separate waste collection, sorting recyclables, treating bio-waste and ensuring compliant landfill disposal. For the first time in Romania, an integrated mechanical biological treatment plant for treating the residual waste and the separately collected bio-waste will be procured through a design-build-operate contract.

The EIB has been involved from the early phases of the project. The Bank provided advice in the preparation phase, and helped to draft the investment master plan, assess the feasibility study and prepare the EU grant application. It also provided methodological guidance and took part in technical discussions with the Romanian Ministry of EU Funds.

The project benefits from EU funds and state funds, and aims to substantially increase the county's recycling rate, bringing it closer to EU 2025 targets. Beyond waste management, the project contributes to the circular economy and decarbonisation efforts, as well as to social welfare and economic growth. It is in line with the European Green Deal and Paris Agreement objectives. The Galați project bridges funding gaps for municipal waste services and sends a positive signal in the nascent market for financing Romanian municipal waste management infrastructure supported by EU funds.

SME AND MID-CAP FINANCE

SMEs and mid-caps are strong drivers of economic development, innovation and employment. Across the European Union, small and medium-sized businesses generate about half of the total value added produced by the non-financial industry and employ almost two-thirds of the labour force outside the financial sector.[38] Mid-caps are also significant players, accounting for more than 17% of overall employment and 21% of turnover in the EU business sector.[39]

Despite their importance to the economy, smaller companies often face structural market failures in accessing finance. Some of these challenges have intensified over the last year. SMEs in Europe have faced unprecedented economic uncertainty and turmoil since the breakout of the COVID-19 pandemic in early 2020. In 2023, they faced further challenges, including higher input costs, higher borrowing costs and uncertainty. As a result, the SME value added in the European Union, adjusted for inflation, remains below the pre-crisis level of 2019 and is expected to have declined further in 2023.

Key figures
€6.5 billion in new signatures[40] benefiting SMEs/mid-caps in cohesion regions (€4.1 billion in less developed regions and €2.4 billion in transition regions)
Approximately 18 000 SMEs/mid-caps supported in cohesion regions[41]
Around 636 000 jobs sustained in SMEs/mid-caps in cohesion regions [42]

The EIB's new lending to SMEs and mid-caps in cohesion regions totalled €6.5 billion in 2023, almost twice as much as in 2022 (€3.3 billion). Most of the Bank's financial support for SMEs and mid-caps is distributed in the form of intermediated lending through financial partnerships with local commercial banks and national promotional banks and institutions. Recent impact analysis confirms that EIB intermediated lending has a positive effect on SME employment levels, revenues and investments, and that this impact is also significantly higher in cohesion regions.[43] Intermediated lending is also supplemented by venture debt, aimed at providing financing support to small companies in their growth stage.

The importance of providing finance and other forms of support to SMEs and mid-caps in cohesion regions cannot be overstated, as it helps them unleash their potential for innovation and growth, creating new jobs and driving economic development in these regions. This, in turn, can help to reduce regional inequalities and promote social inclusion, and to achieve the European Union's wider economic and social objectives. SMEs and mid-caps also tend to have strong local roots and connections, which can be a significant advantage in those regions where social and institutional networks are crucial for economic success.

38. Di Bella, L., Katsinis, A., Laguera Gonzalez, J., Odenthal, L., Hell, M. and Lozar, B. (2023). "Annual Report on European SMEs 2022/2023", Publications Office of the European Union, Luxembourg.
39. European Investment Bank and European Policy Centre (2024). "Hidden champions, missed opportunities. Mid-caps' crucial roles in Europe's economic transition".
40. Signatures of intermediated operations under EIB own resources with financial intermediaries in 2023 to support SME/mid-cap final beneficiaries. The total amount benefiting cohesion regions is based on ex-ante estimates.
41. Figure relates to SMEs/mid-caps that benefited from EIB support in 2023 as a result of operations signed with financial intermediaries up to the end of 2023.
42. Figure relates to SMEs/mid-caps that benefited from EIB support in 2023 as a result of operations signed with financial intermediaries up to the end of 2023.
43. Signatures of intermediated operations under EIB own resources with financial intermediaries in 2023 to support SME/mid-cap final beneficiaries. The total amount benefiting cohesion regions is based on ex-ante estimates.

SME AND MID-CAP FINANCE

SPAIN – SUPPORT FOR SMES AND GREEN INITIATIVES

In 2023, the EIB signed an agreement for the purchase of a covered bond totalling €350 million from Grupo Cajamar – a rural cooperative bank in Spain with a strong focus on the agri-food sector.

This will enable Cajamar to provide up to €980 million in financing to facilitate and accelerate investments by SMEs and mid-caps operating in rural areas and in the strategic agri-food sector. Cajamar and a large proportion of the final beneficiaries of the agreement are based in the less developed cohesion regions of Andalusia and Murcia, where per capita GDP is below the EU average and unemployment rates are above the EU average, and where it is particularly challenging to access financing. The operation will thus promote equitable growth and convergence between EU regions, which is one of the key aims of the EIB's lending activities. In addition, the financing amount includes €196 million earmarked for climate action and environmental sustainability projects.

Grupo Cajamar is also benefiting from the support of EIB Advisory through the innovative Green Gateway advisory programme. The wide-ranging offer covers training on EIB green eligibility and reporting requirements as well as relevant European sustainable finance frameworks (such as the EU taxonomy and the Corporate Sustainability Reporting Directive[44]). It also includes market assessment support, providing insights into green market trends in agriculture, agribusiness and renewable energy, and the organisation of a green product development workshop to enable the bank to expand its green finance offering. The comprehensive advisory package is designed to help Grupo Cajamar source and identify new green lending opportunities and to apply the EIB's green criteria across its portfolios for monitoring and reporting purposes. It contributes to a growing volume of climate change mitigation, adaptation and environmental sustainability investments in Spanish cohesion regions.

Overall, this investment will enable Grupo Cajamar to continue contributing to the progress and modernisation of the agri-food sector and the broader social economy, supporting small and medium-sized enterprises that generate wealth and employment in their territories. Likewise, it will give new momentum to the sustainable development of the business sector, key to economic growth and to people's well-being, and thereby continue to have a positive economic, social and environmental impact in Grupo Cajamar's fields of activity.

44. https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32022L2464

IMPACT FOCUS: EIB GROUP SUPPORT FOR WOMEN ENTREPRENEURS

For decades, women have been moving steadily towards economic and social equality, but progress has slowed down in the last ten years. Women still represent only a small proportion of entrepreneurs (they account for less than a third) and startup founders in Europe. That share is particularly low in the European Union, compared to the United States and the United Kingdom.

The pandemic exacerbated numerous inequalities and hit female-led firms particularly hard. EIB analysis shows that firms led by women were more likely to witness declines in sales or liquidity, even when controlling for firm age, size and activity, despite the fact that female-led firms have proven as able as male-led firms to adapt their businesses to online sales and new types of delivery.

One of the main reasons for this is that the financing mix that female entrepreneurs in the European Union have at their disposal is much less diversified than that of their male counterparts. Additionally, equity is more likely to come from themselves, family or friends, rather than third-party investors. Equity, however, was precisely what declined most during the pandemic. The EIB's research[45] shows that in Europe only 30% of available funding goes to female-led companies.

On the venture capital front, women startup founders are a rarity in Europe, partly because women start fewer companies than men. Even when they create a startup, women have trouble getting funding; female entrepreneurs obtained only 1% of venture capital investment in 2021. However, according to an EIB study,[46] venture capital and seed funding for women-led and -owned companies is gradually improving in the European Union. More women are also founding their own investment funds or working as lead partners in venture capital funds. Nevertheless, Europe continues to lag behind other regions of the world in the share of venture capital and other private investment women receive. The rate of entrepreneurial activity among European women is also low – 5.7% compared with a global average of 11%.

It is widely acknowledged that supporting female entrepreneurs and startups can help reduce broader gender gaps in the labour market and yield wider social benefits. Recent EIB research shows that female entrepreneurs are often role models for women's empowerment, while women-led firms employ more women. Female-led firms also score higher on indicators measuring environmental, social and corporate governance performance, and outperform other firms in the likelihood of offering training to their workforce.

Gender employment gaps are costly: women-owned and -led businesses represent enormous opportunities to boost employment, promote balanced economic development and reduce poverty in the European Union and globally. Failing to fully realise women's entrepreneurial potential comes at an enormous economic and social cost. In the European Union, the economic losses stemming from the gender employment gap are estimated to be roughly €370 billion per year.

For the European Investment Bank Group, supporting female-led businesses and firms promoting inclusive workplaces makes robust economic sense and the Group has been embedding women's economic empowerment in its business model. In 2024, the EIB will be launching an Invest EU Advisory Hub Gender Finance Lab to help financial institutions tap into the largely underserved market of women entrepreneurs in the European Union.

The EIF is equally placing a strong focus on boosting gender smart investing, along with non-financial support and advisory activities, seeking to back equity funds with strong female representation at decision-making level to promote diversity and unlock opportunities for women-led businesses. This is complemented by activities falling under the advisory umbrella. The most recent example is the mentoring programme, which aims to connect female professionals with a network of seasoned female mentors in the private equity, private credit and venture capital asset classes.

45. European Investment Bank (2020). "Funding women entrepreneurs: How to empower growth". Available at: https://www.eib.org/en/publications/why-are-women-entrepreneurs-missing-out-on-funding-report
46. European Investment Bank (2020). "Funding women entrepreneurs: How to empower growth". Available at: https://www.eib.org/attachments/thematic/why_are_women_entrepreneurs_missing_out_on_funding_en.pdf
47. Data based on the Enterprise Survey show that this pattern is particularly pronounced in Eastern Europe. It also holds across firms in different economic sectors. The EIB special survey on startups and scaleups confirms the same trends in the European Union.

SME AND MID-CAP FINANCE

GREECE – LOAN FOR ENTREPRENEURSHIP AND SOCIAL IMPACT

This operation involves a €450 million facility of multi-beneficiary loans intermediated through banks in Greece for on-lending to eligible SMEs and mid-caps that help to promote social cohesion, strengthen the employment of young people and women, and reduce social inequalities.

Designed to cover the mainstream working capital and investment financing needs of SMEs and mid-caps, the operation is open to all eligible banks operating in Greece. It aims to:

- Contribute to the Bank's long-established strategy to support access to affordable financing for SMEs and mid-caps in Greece.
- Cover companies' general entrepreneurship financing needs, thereby effectively complementing other operations currently deployed in Greece and targeting the financing of green investments or investments in the agriculture and bioeconomy sectors.
- Have a positive impact on employment, particularly on youth employment. The EIB's Skills and Jobs – Investing for Youth initiative is included in this operation as well, as it has produced impressive results in Greece to date.
- Further promote other social inclusion objectives, such as the economic empowerment of women in the workplace, a lending priority for Greek banks. This will be the third intermediated operation in Greece with a gender component, in line with the EIB Group's Gender Strategy.

The operation contributes to Sustainable Development Goal 5: achieving gender equality and empowering all women and girls. Partner intermediaries will be invited to devote a share of the EIB funds to companies that fulfil the eligibility criteria for gender equality and women's economic empowerment, and that support female leadership and female entrepreneurship. The EIB is committed to expanding the reach of financing to enterprises owned or led by women or targeting women as customers, traditionally an unserved and underserved group. This operation will encourage the establishment of portfolio baselines and business case analysis around women's entrepreneurship in Greece. Improving gender equality and enhancing broader social inclusion are essential building blocks of more resilient societies, better able to withstand shocks and to sustain growth.

EIF – CHANGING LIVES

EDUCATION

BULGARIA – WOMEN BENEFIT FROM SOFTWARE CODING TRAINING IN BULGARIA

Under the Skills and Education Guarantee Pilot, the EIF provided a direct financial guarantee on a loan received by Telerik Academy, an educational institution providing IT training in Sofia, Bulgaria, specialising in software engineering and coding. The EIF loan guarantee enabled Telerik Academy to expand its offering and provide training to a wider audience.

Schooling and then vocational training or university used to pretty much define the kind of professional life you'd follow. But in the rapidly changing world we live in today, it's becoming increasingly common for people to change career paths. To do so, however, often requires new skills, which can be challenging and daunting. But not for everyone.

Antoaneta Stefanova, from Sofia, Bulgaria, went to a maths high school and pursued a career in the culinary world: "I went to culinary school and worked in Michelin-star restaurants as a pastry chef in the United States, the United Kingdom and the Netherlands," she says. "But I decided that in the long term I couldn't do this job. It was quite physically demanding, spending long hours on your feet – not something you want to be doing when you are 50+, so I decided to reorient myself to something I could see myself doing for the rest of my working career."

Having done a bit of programming back in high school, Antoaneta knew what the field of coding and software engineering had to offer. "I started with a book, learning the basics of coding, but then I went on this course to pursue it more seriously." Taking advantage of a deferred tuition payment plan, guaranteed in part by the European Union, Antoaneta signed up for a six-month programming course at Telerik Academy. "…and I got a job just like that! I presented my final project in front of a company, it got picked as the best project, I was invited for interviews and now I work for them."

Was it daunting? "Changing careers is the kind of thing you do once in a lifetime. It does require a lot of effort, it's a complete change in daily routines, reworking everything around you. I can't say it was an easy step, but I was very determined," explains Antoaneta, who is now settling into a very different lifestyle, with a better work/life balance, and without any regrets: "I don't regret my initial career choice at all. I don't think I would have enjoyed coding in my 20s like I do now in my 30s. But it was the right move for me now. It's completely different but teamwork is a huge part of working as a chef and as a developer as well. No project gets finished by a single person. And there are lots of transferable soft skills like collaboration and communication."

With demand for software engineers and IT-related skills growing, she can definitely feel that she's on an upward trajectory. "I'm just starting out as a junior software developer, looking to pick up more knowledge, more technical skills, and move into a more senior role. With new technologies emerging all the time, you need to constantly update your skillset to keep up."

ENERGY

SLOVAKIA – GREEN BUSINESS CONTRIBUTES TO RURAL COHESION REGION ECONOMY

Thanks to the European Guarantee Fund, the EIF provided a financial guarantee on business loans for SMEs to the Slovakian bank SZRB, which in turn financed the growth programme of EkoPellets, a company producing pellets. EkoPellets used the loan for investments in machinery and for working capital with a view to expand the business.

Economic theory is one thing, but actually running a business day to day is something very different. "I guess this was my way of understanding economics, from the perspective of running a company, every day, on the ground," explains Martin Geško, chief executive officer of EkoPellets Slovakia.

Martin, an economist by trade, used to live in Bratislava working as a tax consultant. "I was happy in Bratislava, didn't have any debt or anything, but part of me felt there was a calling to return to the Žilina region where I grew up. I wanted my kids to grow up there. Maybe a feeling of safety or something? I can't explain it." Returning to Liptovský Mikuláš, a town in the Žilina region, Martin moved into a sector that was new to him: pellets. "I didn't know what to expect, but I was driven by this feeling. It made sense for me to be more independent and have a more holistic approach to business. Economic theory is one thing, but running a company is about people. I decided I wanted skin in the game, to be on the frontline. Of course, it's tougher this way, but I don't regret my decision."

Returning to the Žilina region in 2006, Martin joined a friend in a company that produces and distributes wooden briquettes and pellets, and in 2014 he took over the company and started a new business from scratch. "I'm still developing it today, falling and rising again, but every year a bit better, paying off debt and moving forward. It's not easy but it's my way." Pellets are a more ecological and cheaper substitute for fossil fuels for heating and power production. "Historically, in Slovakia, we got a lot of gas from the east. But gas relies on expanding infrastructure and that is costly, so the market for pellets and briquettes is growing rapidly, including in Poland as they move away from coal."

Leaving a consulting job to run his own business has been a challenge, but Martin relied in part on a loan from SZRB guaranteed by the EIF through the European Guarantee Fund to finance his plans. "It's not so easy to get financing for a small company in Slovakia. There's not so much capital accumulated here, so there's a high reliance on banks, and they typically ask for a personal guarantee, which is difficult. It's good to know that someone's got my back." With the financial support, Martin invested in machinery and has been working to put the company on a more secure footing: "I really want to grow the company organically, keep production effective as it is, grow sales, and keep good people here, making it stronger, better, more secure, and a little bit bigger."

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