European Investment Bank
The EU bank

OPERATIONS EVALUATION

Evaluation of EIB cohesion financing (2007–2018)

Context

Since its creation by the Treaty of Rome in 1958, the European Investment Bank (EIB) has supported the development of the internal market and the reduction of regional disparities in the European Union, notably by facilitating the financing of projects in less developed EU regions. The EIB supports this objective alongside the European Structural and Investment Funds (ESIF) and other EU financial instruments.

This evaluation assessed how the EIB, as the EU bank, has supported economic, social and territorial cohesion in the European Union, and with what results.

The European Union aims to strengthen its economic, social and territorial cohesion by reducing disparities between the levels of development of its regions.

The evaluation focused on operations contributing to the EIB's cohesion objective for which contracts were signed between 2007 and 2018. The EIB considers that an operation contributes to its cohesion objective if more than half the investment is located in "cohesion regions" (for the period analysed: regions with a gross domestic product per capita below 90% of the EU average).

Summary of findings

Relevance

- The EIB's product offer was relevant to the needs of its clients in cohesion regions and flexible enough for changing market conditions. In working to increase business guaranteed by the European Fund for Strategic Investments, also known as the Juncker Plan, the EIB partially shifted its cohesion portfolio towards clients with a higher risk profile than traditional clients in these regions.
- EIB cohesion financing was directed towards sectors with the most prominent investment needs in the countries supported. However, the extent to which region-specific needs were addressed was largely undocumented and treated as a peripheral matter during project design.
- For the projects analysed in depth, the EIB's unique contribution was primarily the advantageous financing terms it offered compared to other funding sources. By contrast, the EIB's contribution as a technical or financial facilitator was limited.
- In general, despite support for cohesion being one of its raisons d'être, the EIB lacks a strategic plan. Its only explicit objective regarding cohesion is to dedicate a share of annual financing activity to cohesion regions (in recent years, 30% of its annual volume of signatures). The Bank, as the long-term financier of EU investments, does not articulate how it intends to mobilise its financing, experience and expertise for that purpose, nor what unique value added it provides.

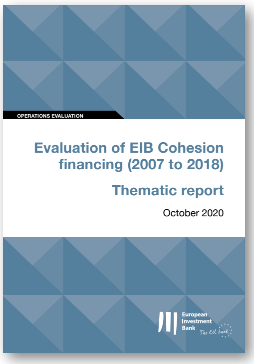
Effectiveness

- For most of the period under review, the EIB attained its annual cohesion financing targets, albeit with increasing difficulty in recent years.
- The EIB's cohesion financing is increasingly reaching the poorest, economically stagnant EU regions.
- The evaluation's macroeconomic modelling exercise indicates that EIB cohesion financing has a positive impact on the GDP of cohesion regions (generally higher than in non-cohesion regions), and thereby contributes to reducing disparities between regions.

Recommendations

The EIB should:

1. Articulate how its cohesion financing contributes to developing less developed regions and to reducing disparities in the European Union. A well-articulated narrative is essential for accountability, communication, direction and learning.
2. (Re)consider the pros and cons of its policy of applying a ceiling to co-financing with the ESIF (the so-called "cumul rule") so that cohesion regions can maximise the benefits of combining ESIF and EIB co-financing.
3. Clarify whether (and why) operations in pre-accession countries should continue to be eligible for inclusion under its cohesion objective, and exclude European Free Trade Association countries from the list of eligible areas.
4. Strengthen its reporting systems to enable accurate reporting on total amounts signed and invested in each EU region. Moreover, assess the feasibility of reporting project results disaggregated by EU region.
5. For investments whose location is known upfront, ensure that project appraisal documentation includes a well-articulated narrative explaining how the investments are expected to address market failures or suboptimal investment situations in the regions concerned.



The full report can be accessed at:

https://www.eib.org/en/publications/evaluation-of-eib-cohesion-financing-thematic

The summary of the report is also available in French and German.

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