European Investment Bank

The EU bank

European Committee of the Regions

INTEGRATED IMPACT

FLEXIBLE REGIONAL DEVELOPMENT TO PUT EVERY CITIZEN AT THE CENTRE OF EUROPE

The Bratislava region rebuilds roads, upgrades schools and modernises cultural centres – with a single loan

Grosslingova 18 is one of the oldest educational institutions in Slovakia. The main building, an Art Nouveau construction more than 100 years old, was falling apart, with a crumbling exterior, dilapidated floors and deteriorating interior walls. But after several years of extensive renovations the school now stands as a gleaming example of the Bratislava regional government's push to make this southwestern corner of Slovakia more liveable and productive. "The region has been suffering for years from a lack of maintenance," says Sebastian Hyzyk, an EIB economist. "If the region wants to continue attracting new investment and people, then it needs to offer a good level of services."

With a population of about 620,000, the Bratislava region modelled its redevelopment plan on the Europe 2020 strategy, a 10-year initiative by the European Commission to encourage social and economic development across Europe. The region makes important contributions to the research sector and to higher education in Slovakia. It is a major university hub for Slovakia, which gives the labour force a high level of education.

To help regional development, the EIB signed a EUR 21 million framework loan with Bratislava in 2008. A single framework loan finances tens or even hundreds of projects in a region across different sectors. The regional government in Bratislava matched this EIB loan with an equal investment and provided capable staff to implement the investment plan. The Bratislava region and the EIB are working on a second framework loan worth EUR 25 million that is expected to be signed soon.

The EIB financing was used to repair and modernise historic buildings – replacing roofs, improving water pipes, upgrading electrical components, adding new heating and ventilation systems. The financing also helped repair roads and bridges across the region, rehabilitate cultural programmes and rebuild an 1880s conservatory in the historical centre of the city, where students come from across the region to take lessons.

The EIB, which opened an office in Bratislava in 2016, made EUR 874 million in loans to Slovakia last year. Infrastructure projects represented 63% of the loans, with 28% of the loans going to small and medium-sized enterprises and 9% focused on the environment. Over the past five years, the EIB has provided EUR 3.4 billion in loans to the country.

There is still a lot of work to do in the region and the long-term investment plans reflect that well. Many schools, social services institutions, cultural buildings and secondary roads suffer from a backlog of repairs. But the region's leaders are doing much more today to fix old problems. "The public services need to catch up, but the region has good programme management capacity, and a high level of education, and it has been very successful in attracting investment," Hyzyk says.

> **"If the region wants to attract new investment and people, then it needs to offer a good level of services**

Post-disaster recovery, Madeira, Portugal

Framework Loan

The island needed financing to rebuild after catastrophic floods – and to make it more resilient to future disasters

Carnival week. The usual dressing up and partying in the streets. Then the Atlantic storm struck. "It was a torrential downpour and it went on, and on," remembers Ricardo Reis, who is now director of planning and public works in the regional government. "In one moment, mud and water gushed down the streets."

Madeira is a mountainous volcanic island 560 miles off the south-west coast of Portugal. In February 2010, one of the most devastating floods in its history killed 49 people. It left 250 injured and 650 homeless. Damage to infrastructure was massive and the island also had to cope with the impact on tourism, a main source of income.

To finance public infrastructure repairs and reconstruction, Madeira turned to the EIB. As this was a post-disaster emergency, the Bank was able to finance the total project cost with a EUR 62 million loan. "This tragedy could have meant the total destruction of the island's economy", says Fernando Camano, the EIB engineer who managed the operation. "With the Madeira government, we turned it into an opportunity to rebuild the island, making it stronger and more resilient to flood damage."

> "The EIB put the financing in place on great terms for us

The reconstruction was made up of a number of small and medium-sized investments – all covered by one framework loan. "When you are in a post-disaster, you have to address several aspects at once," says Camano. "Addressing just one at a time would mean leaving open the chance for another disaster to happen. The framework loan is an ideal tool and particularly effective in post-disaster situations." The Bank sees framework loans as the most flexible financial instrument for cities and regions looking to finance various projects in multiple sectors over a three- to five-year plan.

It's the same tool that allowed the EIB to work on post-disaster recovery in continental Europe too, with recent projects in Spain's Murcia region and in the Italian regions of Tuscany and Emilia-Romagna.

In Madeira, work started in early 2011 and was completed by April 2016 on the projects covered by the framework, which included:

- reconstruction of water supply
- road repairs
- construction of solid silt-dams for sediment management
- redesigning and rebuilding drainage channels
- an early warning system

Says Reis, "The EIB put the financing in place on great terms for us."

Partnering for regional development in French EU Overseas Territories

Risk-sharing/Investment Plan for Europe

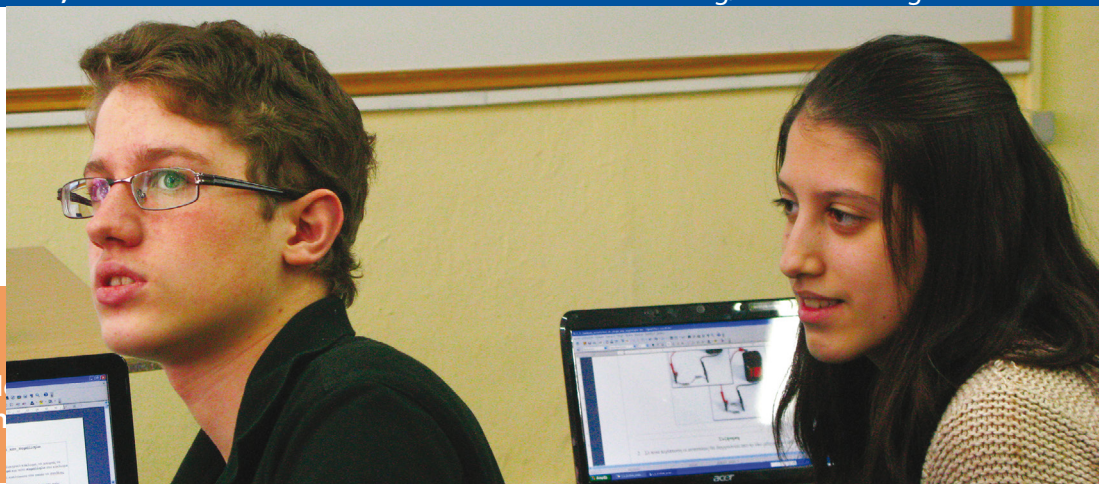
A guarantee for growth and economic development projects that otherwise would not be financed to the same extent

Climate change and population growth challenge the French EU overseas regions of French Guiana, Guadeloupe, Réunion, Martinique and Mayotte. The financial crisis hit their ability to address those issues, with the economy stalled and one in four out of work. To finance projects that boost the economy, enhance social services and prepare for the negative impact of climate change, the EIB is partnering with the French promotional institution Agence Française de Développement (AFD). Once AFD finances a project in these "ultraperipheral EU regions," its investment will be supported by a EUR 150 million EIB guarantee.

Given the higher risk profile of the final beneficiaries, the EIB guarantee – for up to half the total loan – is backed by the Investment Plan for Europe, which combines an EU budget guarantee and EIB resources. It gives AFD the chance to invest in additional projects in social housing, urban regeneration, health, renewable energy, information and communications technology, sustainable transport, and projects that counter social exclusion where the agency otherwise faces lending constraints. For the EIB, AFD's extensive expertise in identifying and supporting the good – and often small-scale – projects in these territories is essential to the success of the partnership.

Social infrastructure, Greece

Blending/Structural Programme Loan



> It's a flexible and effective instrument to tackl multiple projects in various sectors

Loans to thousands of projects in every region of Greece highlight the value of cooperation between national authorities and EU institutions

At the Greek Economy Ministry Stella Alexopoulou helps choose projects that get EU grants and loans. Like providing notebook computers for high schoolers in all thirteen Greek regions. "One laptop per student still is a rare thing in Greece," she says. During her visit to one of the lucky schools participating in the digital convergence programme, the High School in Kozani, northern Greece, she found "the students and the teacher so thrilled to work together on the new applications."

The EUR 2 billion multi-sector framework loan behind the laptop and other projects was signed in 2010. It's the EIB's largest in Greece. The EIB inked another EUR 50 million loan a few years later to help more small projects across the country, and added EUR 1 billion in 2015.

The EIB financing is a structural programme loan, a special type of framework loan. "It's a flexible and effective instrument to tackle multiple projects in various sectors, such as those co-financed by the European structural funds supporting integrated territorial development plans," says Fernando Camano, an EIB engineer. "These investments are already bringing tangible results in and around the local communities."

The loans supported over 123,000 small projects around Greece, including schools, archaeological museums, hotels, tourism, vocational training and technology, research, environmental programmes, and water and waste projects. They also support small and medium-sized companies, the backbone of the Greek economy.

The EIB aims to invest more in youth employment and innovation. In the Peloponnese region, the University of Patras is known for its innovative research facilities. As part of the framework loan, the EIB backed an incubator to help bring students' ideas to the market called Aid in Greek Technology Cluster in Microelectronics. University laboratories assist existing businesses, but they also counsel people who want to start a new company. The incubator has been replicated by the University of Ioannina in north-western Greece, where the EIB supported the extension of the Scientific and Technological Park of Epirus.

The largest project backed by these EIB framework loans is the PATHEP Railway Corridor, which modernises the Patras-Athens-Thessaloniki-Idomeni/Promahonas rail line, a railway node at Acharnes, a freight complex at Thriassio and its rail link to the Neo Ikonio Container Terminal of the Port of Piraeus. All these investments received key financing from EU structural funds. Since 2007, the EIB has matched the European Structural and Investment Funds with over EUR 34 billion of Structural Programme Loans across Europe.

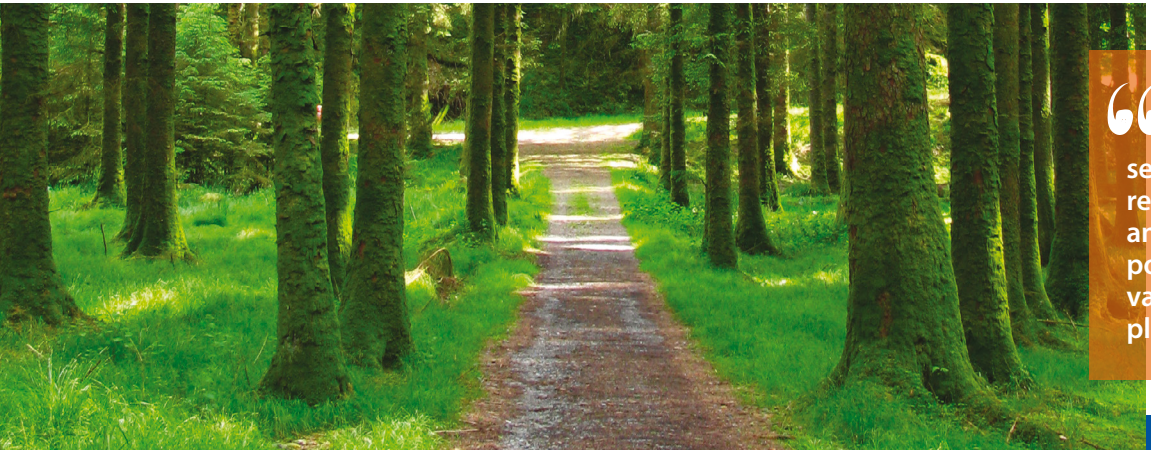
Rural development through a forestry fund, Ireland Financial instruments/Investment Plan for Europe

In rural Ireland, sustainable forestry funds consolidate the management of fragmented, privately owned forests, using their knowledge and expertise to optimise productivity and safeguard biodiversity

The Sitka spruce is one of the largest evergreens in the world. It can grow to nearly 100 metres tall at an astonishing 1.5 metres per year, with a trunk diameter of 5 metres. The largest one currently known has an estimated trunk volume of 337 cubic metres – surely enough to produce more than enough paper to print all the copies of Ulysses sold during James Joyce's lifetime just from a single tree. So no wonder the Irish are fond of it. In fact, too fond of it, says Jane Feehan, investment officer with the EIB's environmental and climate finance policy unit. "Ireland's monoculture plantations of Sitka spruce are a mixed blessing – they are fantastically productive, but make for a monotonous landscape with little habitat value to offer to native flora and fauna. When the trees reach harvesting age and it's time to chop them down, clearfelling is ecologically disruptive and can contribute to soil erosion."

Ireland has been remarkably successful in increasing its forest area from 2-3% of the total area to 11-12% today (the EU average is 42%). This was achieved, in part, with an EU-financed subsidy for farmers to convert farmland to forest. "Many in the rural areas saw the opportunity to plan for retirement, switching to something requiring less hands-on management," Feehan says. Many planted Sitka spruce. Despite its strength it weighs comparatively little, making it useful for guitars, violins and yacht masts. The result: 19 500 private owners, many of them now elderly farmers with small forests. The grass roots success of private afforestation, however, brings the challenge of managing fragmented parcels of forestry, when owners may lack the necessary know-how, equipment or roads access which are features of best practice in sustainable, commercially viable plantations. It's critical for the Irish rural economy that these obstacles be addressed. Forests contribute to rural economic development, providing the basis for a truly indigenous industry and its associated value chain. Beyond this, a range of non-wood forest products and ecosystem services – from recreation to carbon storage – offers significant economic and often locally targeted financial returns. Well-designed forestry investment delivers environmental benefits: climate change mitigation and adaptation, improved management of soil and water resources, and protection of biodiversity. For all these reasons, the Investment Plan for Europe extends its coverage of rural Europe to forestry.

Under the Investment Plan for Europe, the EIB recently invested about EUR 30 million of equity with Dasos Capital Oy, an experienced forest investment manager, to consolidate a portfolio of around 12 000 hectares of productive forest area in Ireland and ensure its sustainable management. "With Dasos, we are investing in the private sector, helping to realise the potential of the privately owned forest plantations," says Feehan.



> **"We are investing in the private sector, helping to realise the economic and environmental potential of the privately owned forest plantations**

European Investment Bank
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INTEGRATED APPROACH FOR MORE IMPACT

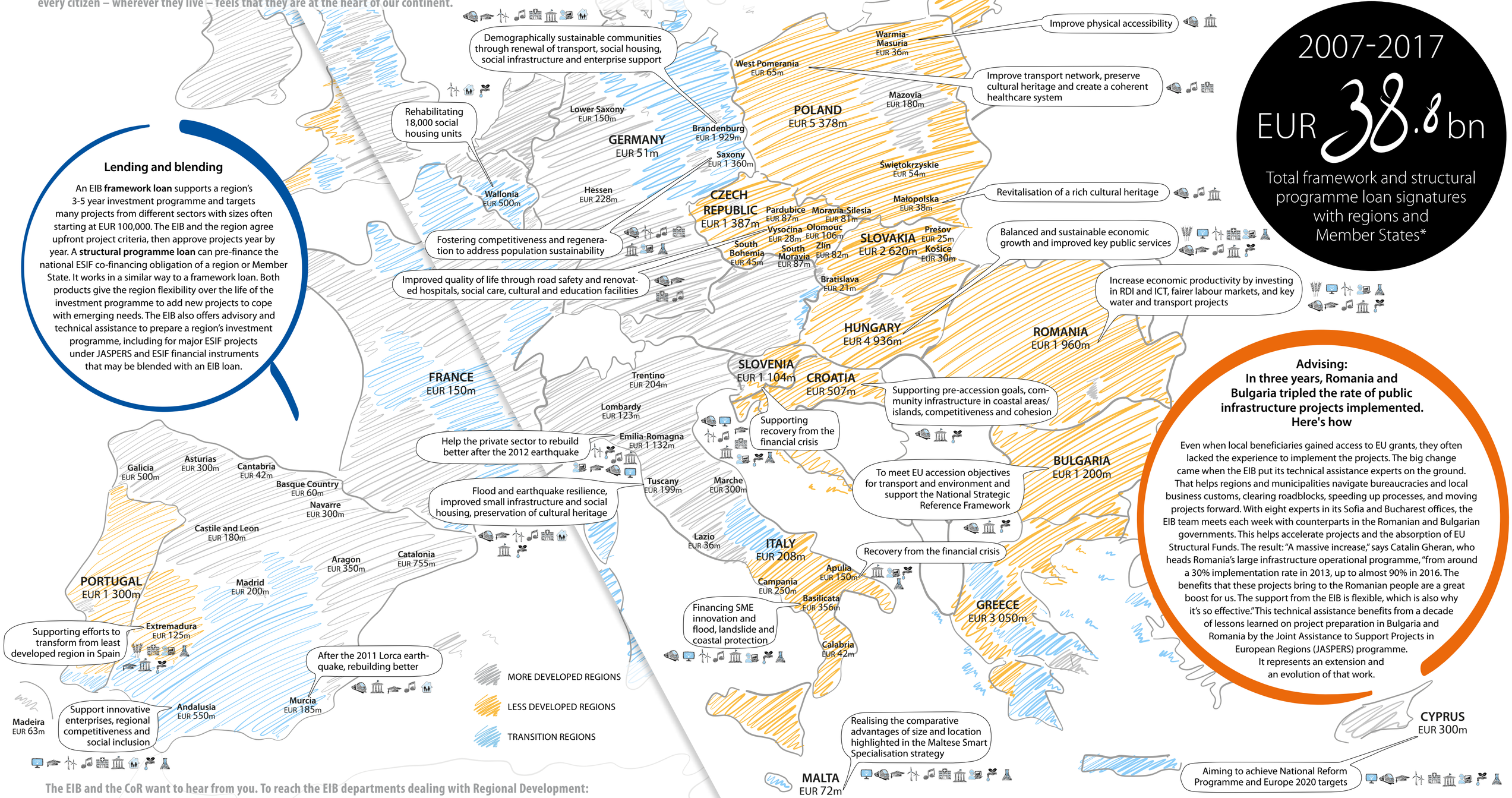
European Committee of the Regions

FLEXIBLE REGIONAL DEVELOPMENT TO PUT EVERY CITIZEN AT THE CENTRE OF EUROPE

Europeans want to be active and equal partners in shaping their own future. The European Investment Bank and the European Committee of the Regions aim to provide a complementary offer to inspire and equip regions in guiding all Europe's citizens forward – together. The EIB and the CoR recognise that investment directed toward cohesion is a catalyst for sustainable growth. It is fundamental to the collective sense of society and mutual reliance on which we will build Europe's future. Since 1958, the EIB has targeted support for projects in less-developed regions, and between 2007 and 2016 alone, the EIB's support for cohesion objectives within the EU amounted to more than EUR 200bn. Strong economic, social and territorial cohesion throughout Europe remains our mission. Flexible lending to regions, getting financing to the local level, where the needs of citizens are best understood, is an important part of this. Such a decentralised approach is a path to a Europe where every citizen – wherever they live – feels that they are at the heart of our continent.

Lending and blending

An EIB **framework loan** supports a region's 3-5 year investment programme and targets many projects from different sectors with sizes often starting at EUR 100,000. The EIB and the region agree upfront project criteria, then approve projects year by year. A **structural programme loan** can pre-finance the national ESIF co-financing obligation of a region or Member State. It works in a similar way to a framework loan. Both products give the region flexibility over the life of the investment programme to add new projects to cope with emerging needs. The EIB also offers advisory and technical assistance to prepare a region's investment programme, including for major ESIF projects under JASPERS and ESIF financial instruments that may be blended with an EIB loan.



2007-2017

EUR 38.8 bn

Total framework and structural programme loan signatures with regions and Member States*

Advising: In three years, Romania and Bulgaria tripled the rate of public infrastructure projects implemented. Here's how

Even when local beneficiaries gained access to EU grants, they often lacked the experience to implement the projects. The big change came when the EIB put its technical assistance experts on the ground. That helps regions and municipalities navigate bureaucracies and local business customs, clearing roadblocks, speeding up processes, and moving projects forward. With eight experts in its Sofia and Bucharest offices, the EIB team meets each week with counterparts in the Romanian and Bulgarian governments. This helps accelerate projects and the absorption of EU Structural Funds. The result: "A massive increase," says Catalin Gheran, who heads Romania's large infrastructure operational programme, "from around a 30% implementation rate in 2013, up to almost 90% in 2016. The benefits that these projects bring to the Romanian people are a great boost for us. The support from the EIB is flexible, which is also why it's so effective." This technical assistance benefits from a decade of lessons learned on project preparation in Bulgaria and Romania by the Joint Assistance to Support Projects in European Regions (JASPERS) programme. It represents an extension and an evolution of that work.

The EIB and the CoR want to hear from you. To reach the EIB departments dealing with Regional Development: www.eib.org/regional-development. Please contact the CoR at coter@cor.europa.eu.

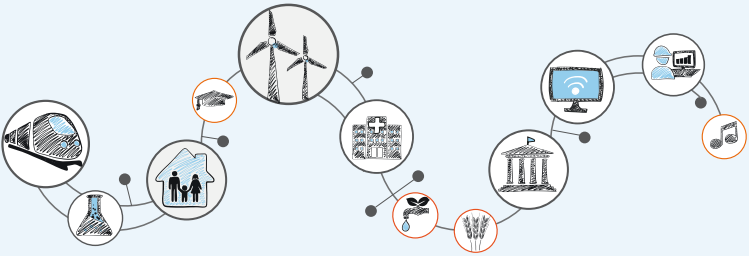
* Signatures after 01/2007 until 02/2017. Includes framework and structural programme loan signatures with regions (and a small number of provinces) and Member States, or entities owned or guaranteed by regions and Member States. In the case of Member States, only multi-sector framework loans and structural programme loans are included. For national currencies, exchange rate applicable at signature date.

European Committee
of the Regions

Cohesion is the EU's most powerful investment tool and an essential pillar of its economic model. Based on the founding EU values of solidarity and subsidiarity, it has a budget of EUR 454 billion, along with EUR 184 billion of national funds. The aim: to reduce disparities and support sustainable growth in all European regions. This gives cohesion policy a unique, inclusive approach, based on the partnership among national, regional and local authorities.

This has led to almost 1 million people finding a job, 6 million accessing clean drinking water, and 7 million connecting to new or upgraded wastewater treatment between 2007-2013. With investments that range from the metro of Bulgaria's capital, Sofia, to urban renewal and integration projects in the Belgian municipality Molenbeek, no other EU policy benefits every region quite like cohesion. But cohesion policy is more than this. European structural and investment funds (ESIF) play a key role in protecting jobs and creating new ones through strategic investments in the real economy, in particular where markets fail.

ESIF are largely grant-based. However, where market conditions are favourable, the smart integration of financial tools and grants leverages the impact of cohesion policy. To make sure cohesion policy keeps delivering for European citizens, the CoR, the EU assembly of local and regional authorities, has put forward concrete proposals for the period after 2020, including a comprehensive territorial impact assessment of future proposals for the design of cohesion policy. A strong, reformed, place-based and flexible EU cohesion policy, relying on the same share of the overall EU budget, can help speed the recovery of European economies and make it more inclusive, enabling the Union to tackle urgent societal challenges.



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