

# **GLOBAL SOLUTIONS, INTERNATIONAL PARTNERSHIPS**

**THE EUROPEAN INVESTMENT BANK  
DEVELOPMENT REPORT 2021**





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DEVELOPMENT REPORT 2021**



**Global Solutions, International Partnerships  
The European Investment Bank Development Report 2021**

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# CONTENTS

## **4 FOREWORD BY THE PRESIDENT**

## **6 PROJECT DATA FROM AROUND THE WORLD**

## **10 SOLUTIONS AND PARTNERSHIPS**

- 10 THE PANDEMIC AND DEVELOPMENT FINANCE: WHAT COVID-19 MEANS FOR DEVELOPMENT
- 14 COVAX: VACCINE SOLIDARITY
- 16 COVID-19 AND MOROCCO'S HOSPITALS: FAST RELIEF
- 19 EDUCATION AND DEVELOPMENT: AGAINST THE IMPACT OF COVID-19 IN MOROCCO AND TUNISIA
- 20 CLIMATE CHANGE AND DEVELOPMENT FINANCE: HOW TO CALCULATE CLIMATE RISK FOR A DEVELOPING COUNTRY
- 24 CLIMATE CHANGE AND GENDER: HOW TO FIGHT CLIMATE CHANGE WITH EQUALITY
- 27 THE LUXEMBOURG CLIMATE FINANCE PLATFORM: DE-RISKING CLIMATE INVESTMENT
- 28 COCOA AND SUSTAINABLE FORESTS IN CÔTE D'IVOIRE: FOREST REHAB FOR YOUR CHOCOLATE
- 30 WATER ENGINEERING IN EAST AFRICA: CREATIVE FLOW
- 34 WATER AND KNOWLEDGE TRANSFER: SHARE IT
- 36 PLASTIC POLLUTION AND THE OCEANS: PROTECTING THE WATERWAYS
- 37 WATER SOLUTIONS IN NIGER: FRESH WATER DOUSES VIOLENCE
- 38 SUSTAINABLE TRANSPORT AND GENDER: ALL ABOARD
- 40 GENDER INVESTMENT: CREDIT WHERE IT'S OVERDUE
- 42 FRAGILE AND CONFLICT-AFFECTED COUNTRIES: HOW TO BE SENSITIVE
- 44 INDIGENOUS STAKEHOLDER ENGAGEMENT IN HONDURAS: HOW TO LISTEN
- 46 AFRICA URBAN PLANNING: PROSPERITY TO THE CITY
- 48 DIGITALISATION: THE GREATER THE RISK, THE GREATER THE REWARD
- 50 VENTURE CAPITAL: EQUITY FOR INNOVATIVE BUSINESS MODELS
- 51 MICROFINANCE IN AFRICA: A BIG DIFFERENCE FOR SMALL FARMERS
- 52 GEORGIA SMALL BUSINESSES: A GUARANTEE FOR STRAWBERRIES
- 53 MOLDOVA AGRICULTURE: CULTIVATING SUCCESS

## **54 IMPACT IN DETAIL**

- 55 OUR APPROACH TO EXAMINING RESULTS AND IMPACT
- 57 EXPECTED RESULTS OF NEW PROJECTS
- 60 THE EIB'S CONTRIBUTION TO NEW PROJECTS
- 62 CARBON FOOTPRINT EXERCISE
- 63 MACROECONOMIC IMPACT MODELLING
- 64 RESULTS OF COMPLETED PROJECTS
- 67 IN-DEPTH IMPACT STUDIES
- 69 LENDING VOLUMES

## **70 AFTERWORD BY THE VICE-PRESIDENTS FOR DEVELOPMENT**

# PRESIDENT'S FOREWORD

**T**he climate crisis, the mass displacement of people and the international dimension of the COVID-19 pandemic remind us that we cannot face our challenges alone—our solutions must be global. The European Investment Bank is at the heart of the EU effort to turn Europe's policy initiatives into real development solutions on the ground. This report provides insights into our vital projects and initiatives in all regions around the world that are of priority to the European Union, data and insights on their impact and ideas for our contribution to an enhanced European architecture for development through a series of expert essays.

As the financing arm of the European Union, and as the only development bank entirely and exclusively owned by the EU's Member States, we give the European Union the strategic autonomy to act quickly and at scale.

You can see this in our massive and immediate commitment to the European Union's COVID-19 response, spearheaded by the European Commission through Team Europe. Now that safe and effective COVID-19 vaccines are available—our investment backed the very first to be approved—it is essential that lower-income economies are not left behind. Our €600 million support for the COVAX project in partnership with the European Commission is our largest ever for public health.

With our focus on a green recovery from COVID-19, we never lose sight of the long-term challenge of climate change whether in our investments or our development of new instruments. When we invented green bonds more than a decade ago, we knew that remarkable innovation was only the start of the job. We are still working to ensure transparency and accountability for green investments globally, even as we develop an entirely new market for sustainability awareness bonds.

We have a long history as a cornerstone of Europe's development finance architecture, with operations in more than 140 countries. In Africa, we achieved record lending levels in 2020, signing €5 billion in financing, half of it with the private sector. Over 70% of our investment in sub-Saharan Africa was in least developed countries and fragile states.

The expert pieces in this report are a reminder that we constantly fine-tune our approach to adapt and respond to evolving EU policy priorities and to deliver greater impact, efficiency and effectiveness. With this in mind, we are further specialising our business delivery outside the European Union. We aim to put more of our bankers and engineers at the disposal of EU Delegations to further strengthen the European Union's value added on the ground, increase EU visibility and,



**“ As the financing arm of the European Union, and as the only development bank entirely and exclusively owned by the EU’s Member States, we give the European Union the strategic autonomy to act quickly and at scale. ”**

ultimately, have a stronger developmental impact. This reorganisation is aimed at maximising EU impact and visibility through a dedicated EU development finance partner with technical expertise, upholding and delivering on EU and partner country priorities, including climate, health, migration, gender and digitalisation.

The European Investment Bank is an investment bridge between EU policies and projects on the ground. Working in almost every African country, in the Western Balkans countries on their path to EU accession, in the EU’s Southern and Eastern Neighbourhoods and around the world, we use our unrivalled sector expertise to help build investments that reduce poverty, disease and environmental degradation.

Our plans respond to the growing demand for a stronger partnership between Europe and the world. We are committed to improving lives, together.

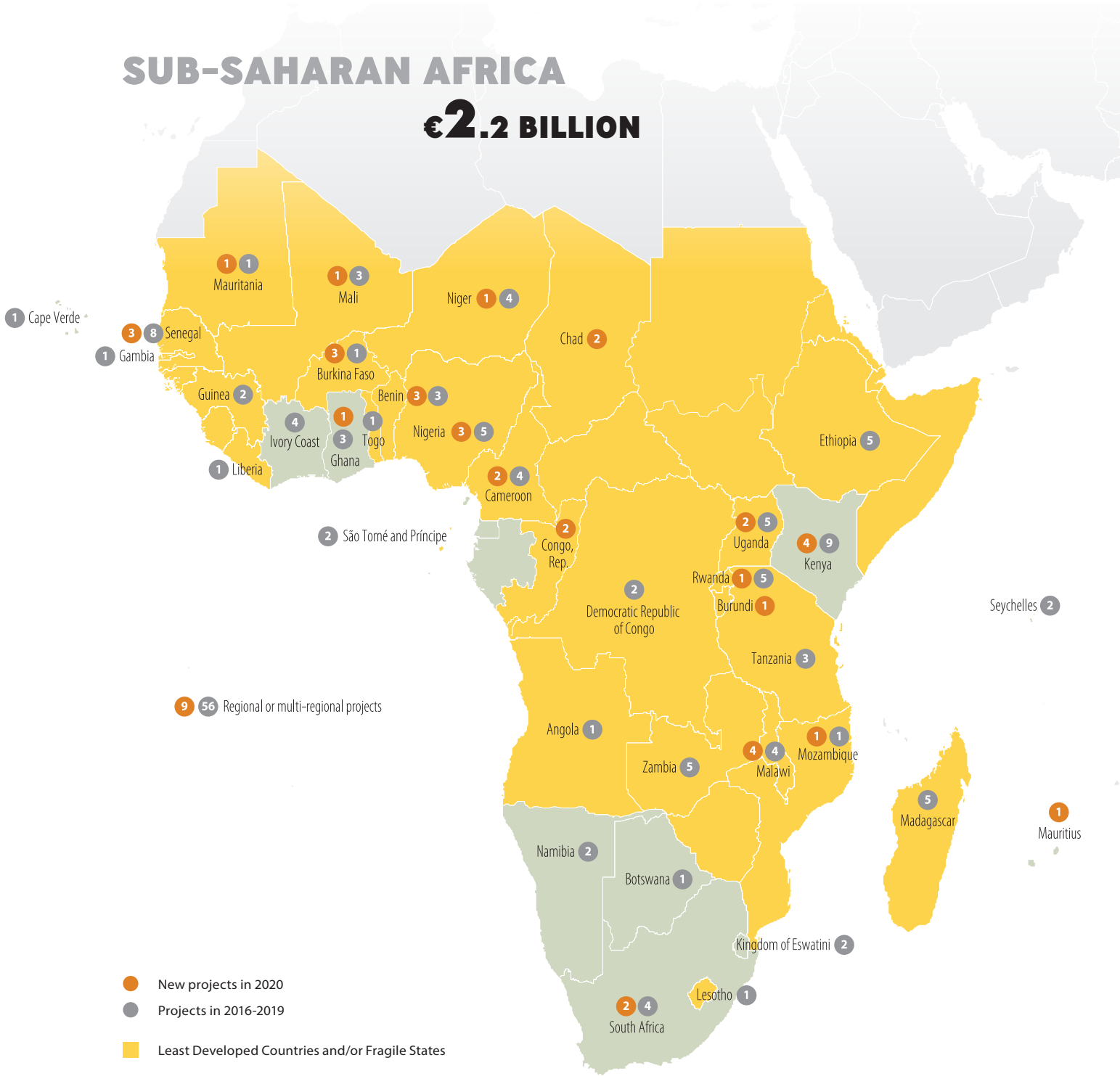
**Werner Hoyer**

# PROJECT DATA FROM AROUND THE WORLD

TOTAL LENDING OUTSIDE THE EU €9.3 BILLION

## SUB-SAHARAN AFRICA

€2.2 BILLION



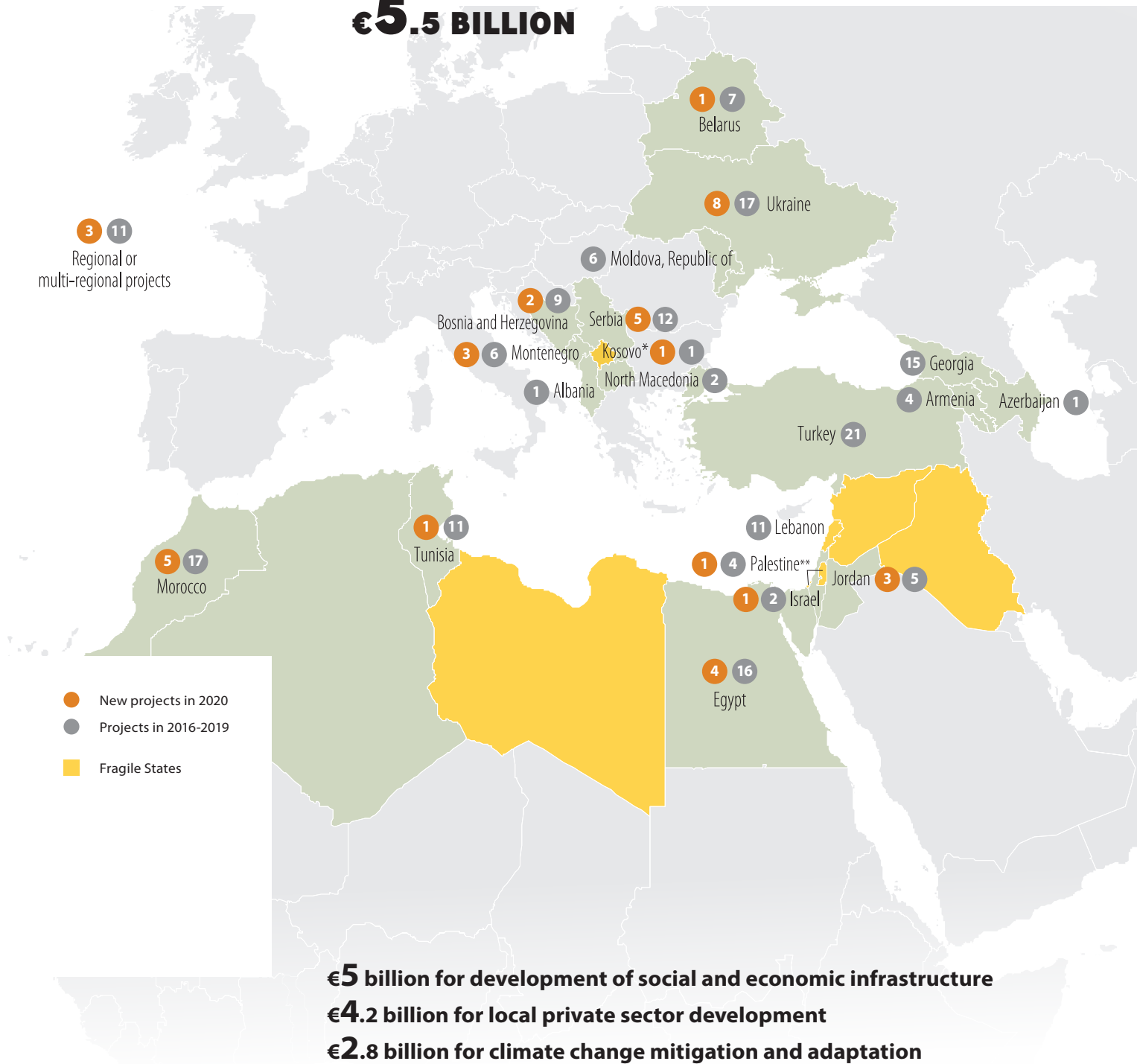
The European Investment Bank does not endorse, accept or judge the legal status of any territory, boundaries, colours, denominations or information depicted on any map in this section. One operation involves three intermediaries in Cameroon, Chad and the Republic of Congo and is counted once in each country.

# ON EUROPE'S BORDERS

## €5.5 BILLION

3 11  
Regional or  
multi-regional projects

- New projects in 2020
- Projects in 2016-2019
- Fragile States



Kosovo\*: This designation is without prejudice to the positions expressed by the EU Member States on Kosovo's status and is in line with United Nations Security Council Resolution No. 1244/1999 and the International Court of Justice Opinion of 22 July 2010 on Kosovo's declaration of independence.

Palestine\*\*: This designation shall not be construed as recognition of a State of Palestine and is without prejudice to the individual positions of the Member States on this issue.

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# ASIA, LATIN AMERICA, THE CARIBBEAN AND THE PACIFIC

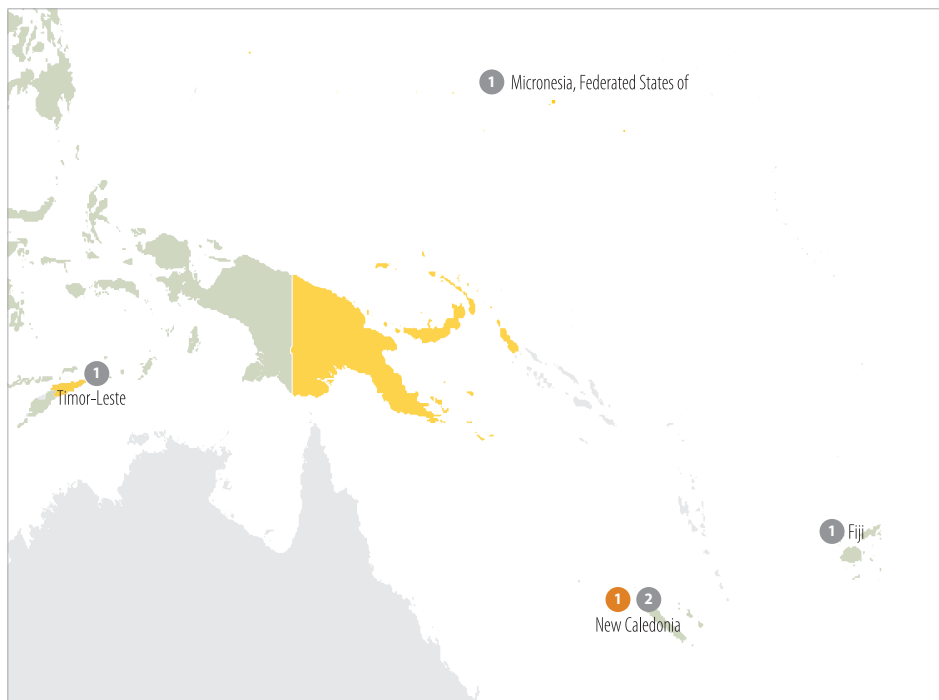
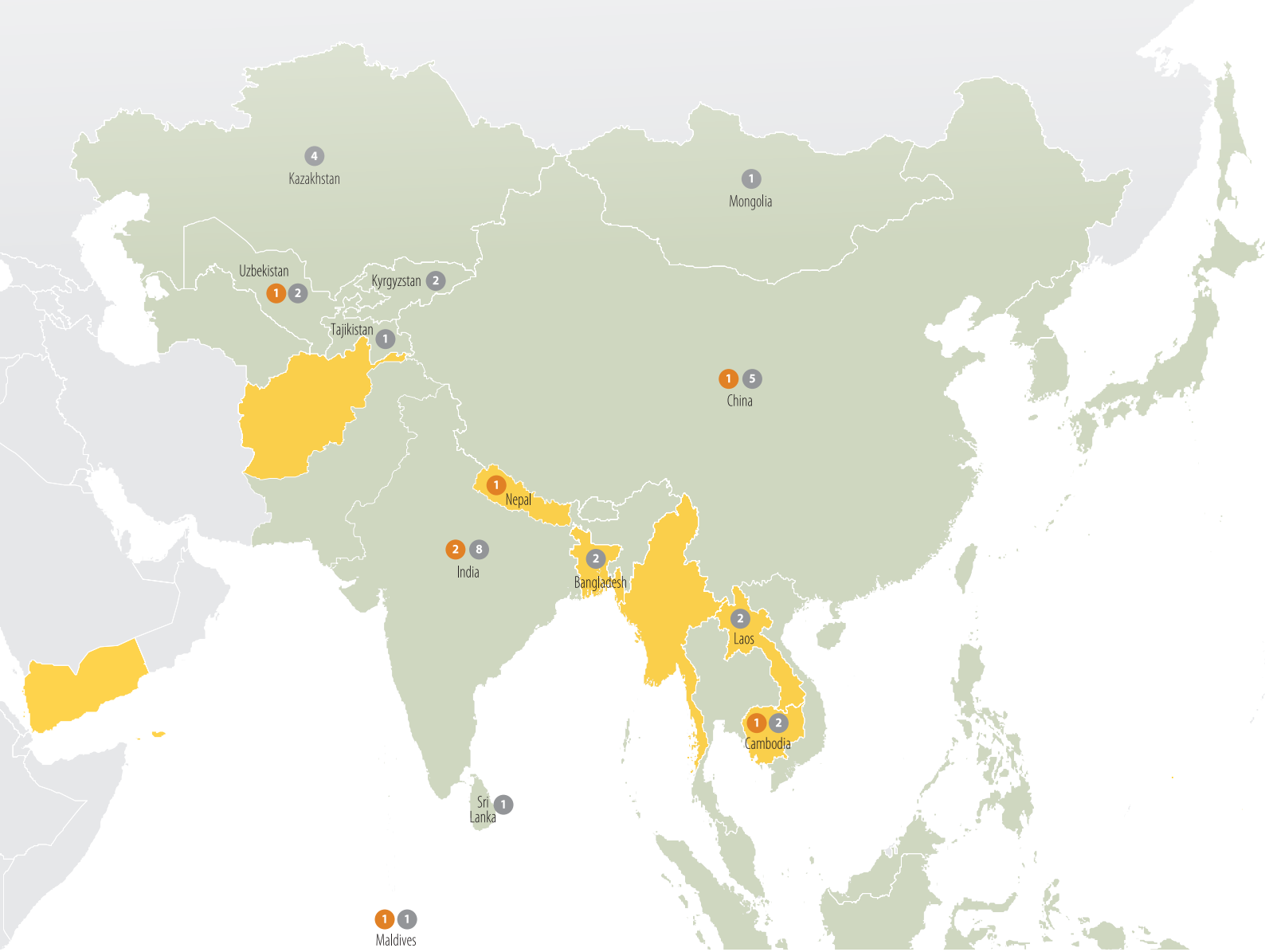
1  
French Polynesia

€1.5 BILLION

20 Regional or multi-regional projects

- New projects in 2020
- Projects in 2016-2019
- Least Developed Countries and/or Fragile States

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# SOLUTIONS AND PARTNERSHIPS

## WHAT DOES COVID-19 MEAN FOR DEVELOPMENT?

From the loss of education to the impact on businesses, jobs and the flow of finance for development, the economic scars of the pandemic will take time to heal. In the light of COVID-19, development finance backing from the European Union is more important than ever

By Tessa Bending, Colin Bermingham and Emily Sinnott

**T**he world was not doing enough for sustainable development, even before the pandemic. The existing gap in financing for the achievement of the Sustainable Development Goals has been estimated at around \$2.5 trillion.<sup>1</sup> Growth in developing and emerging economies was, however, steadily reducing the number of people in extreme poverty. The recession caused by COVID-19 has reversed that process, already pushing some 120 million people back into extreme poverty.<sup>2</sup>

Judged by the number of positive COVID tests, many developing countries, particularly in Africa, seem to have weathered the pandemic quite well. But we shouldn't be complacent. Comparing mortality rates since the start of 2020 with previous years suggests 130 000 excess deaths in South Africa alone. In Egypt, a country where infection rates have appeared comparatively low, there are 75 000 more deaths than usual.<sup>3</sup> Global action to bring the spread of this disease to an end everywhere is a moral imperative.

Even where infection rates have been lower, we must remember that not all countries have the same capacity to respond, to cushion the social and economic impacts. **The pandemic has exposed investment needs in public health systems and digital infrastructure, as well as vulnerabilities due to a lack of fiscal space and low economic diversification. Vulnerable groups such as those in precarious or informal employment, economic migrants and women are most exposed to the economic fallout, exacerbating inequalities.**

Worse than the immediate economic consequences of the pandemic might be what economists call "scarring": the damage that could weaken development prospects for years or decades to come.

### 1.5 billion children out of school

United Nations Secretary-General António Guterres has called the impact of COVID-19 on children's education a "generational catastrophe".<sup>4</sup> At the initial peak of the pandemic in 2020, some 1.5 billion children were out of school due to school closures.<sup>5</sup> The average child lost around half of their normal annual contact time with teachers. UNESCO estimates that the number of children not reaching an age-appropriate level of reading proficiency could rise by nearly 100 million to 581 million.<sup>6</sup>



**“Worse than the immediate economic consequences of the pandemic might be what economists call “scarring”: the damage that could weaken development prospects for years or decades to come.”**

The impact of this learning loss will last decades. Not only might it take years for children to catch up with what they have missed, but lost learning may have long-term implications for earnings potential and economic development. Inequalities are likely to be exacerbated. One factor is that poorer children are less likely to have access to the internet and less likely to be able to benefit from online classes, if these are provided. Another is that the rise in poverty triggered by the pandemic is likely to cause more children of very low-income families to drop out of school. Girls are often more likely to be withdrawn from school, so the negative impact on the education of girls may be even greater than that for boys. An end to this disruption of education cannot come soon enough.

### **Businesses in trouble**

The great majority of jobs in developing countries are in the private sector, from informal market stalls and small farms to large corporations. It is chiefly in the private sector that more jobs—and better jobs—must be created to help eradicate poverty. Businesses need to invest, to expand and to raise productivity, but the pandemic makes that harder. The private sector could potentially take years to recover.

Hopes for a rapid rebound of business activity should be tempered by a look at what the pandemic is doing to the financial situation of many firms, particularly smaller firms with more fragile access to finance. Working together with the World Bank and the European Bank for Reconstruction and Development, the European Investment Bank conducted Enterprise Surveys in 2020 of firms in countries across Europe’s Southern and Eastern neighbourhoods and in the Western Balkans. The results reveal some of the strains that weigh on businesses.

First, it is important to note that the situation for many firms was difficult to begin with. In some countries, as few as a fifth of firms were actually carrying out investment each year. That is partly because of credit constraints. More than half of firms in the Eastern and Southern Neighbourhood, and 38% in the Western Balkans, were credit constrained. Most were discouraged from even seeking the loans they need.

A special survey module on the impact of the pandemic indicates that most firms in these regions have been forced to close temporarily and about three-quarters of them face reduced liquidity or cash-flow availability. 19% said they are already late on loan repayments. Small and medium-sized enterprises (SMEs) appear to be paying the price for limited use of digital technologies. Compared

1 OECD (2020), Global Outlook on Financing for Sustainable Development 2021.

2 Lakner et al. <https://blogs.worldbank.org/opendata/updated-estimates-impact-covid-19-global-poverty-looking-back-2020-and-outlook-2021>.

3 <https://github.com/dkobak/excess-mortality#excess-mortality-during-the-covid-19-pandemic>.

4 <https://www.un.org/en/coronavirus/future-education-here>.

5 <https://en.unesco.org/covid19/educationresponse>.

6 [http://uis.unesco.org/sites/default/files/documents/covid-19\\_interruptions\\_to\\_learning\\_-\\_final.pdf](http://uis.unesco.org/sites/default/files/documents/covid-19_interruptions_to_learning_-_final.pdf).

to large firms, only half as many were able to implement remote working and even fewer managed to shift some business online. Some firms will not survive the pandemic, and many of those that do will have to rebuild their finances before they can return to the long-term investment needed to create decent jobs.

In other regions, the situation may be even worse. A COVID-19 survey module in seven African countries found that around 90% of firms have seen a decrease in sales and cash-flow availability. 24% are in loan arrears. In a region where 38% of firms say access to finance is a major constraint, only 17% of businesses used bank loans to tackle cash-flow shortages.

Again, low penetration of digital technologies has increased vulnerability, with only 18% of firms able to increase online activity and just 17% able to shift to remote work. A mere 7% received or expected government assistance, which helps to explain why 9% had already filed for insolvency or bankruptcy.

### Financial flows at risk

Businesses in financial trouble could spell bad news for banks. Although they have so far proved resilient, banks often suffer in the aftermath of economic crises, as bad debts build up on their books, even as the rest of the economy starts to pick up. There is a strong risk that rising numbers of non-performing loans could increasingly constrain the ability of banks to lend to healthy businesses. **Preliminary results from a survey of banks in Africa, carried out by the EIB Economics Department in early 2021, reveal what these banks see as the main ways the pandemic is affecting them so far. Those effects are declining asset quality (such as more bad loans) as well as reduced demand for loans, mirroring what we see from surveying businesses.**

Ultimately, the severity of the economic impact of the pandemic will depend a lot on whether governments are able to implement policy support that cushions the shock and supports recovery, keeping businesses afloat and people in employment. As well as aid to businesses, continued spending on public services, welfare systems and infrastructure is vital to support the recovery and prevent the negative consequences of the pandemic multiplying even further. This requires finance. On top of an annual \$2.5 trillion gap to achieve the Sustainable Development Goals, the OECD estimates the gap in COVID-19 recovery spending for developing countries to be in the order of \$1 trillion per year.

Yet, most emerging and developing countries have little capacity to implement the kind of emergency economic measures deployed by developed economies. Instead, there are rising concerns for sovereign debt sustainability, especially for countries that already had high levels of debt before the pandemic. Currently, 36 of 70 low-income countries assessed are at high risk of debt distress or are already experiencing difficulties in servicing debt.<sup>7</sup> The prospect of higher inflation and rising interest rates in the United States could potentially undermine risk appetite and place further pressure on access to external finance for emerging and developing economies. Private external finance for developing countries already collapsed by an estimated \$700 billion in 2020, with remittances down an estimated 20%, foreign direct investment down 35% and net portfolio investment inflows (money invested in financial assets such as government bonds) down 80%.<sup>8</sup>

### Stopping the spread

The first priority, of course, is to stop the spread of COVID-19 and to end the global medical emergency. This requires global cooperation and solidarity. The European Investment Bank came

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<sup>7</sup> <https://www.imf.org/external/Pubs/ft/dsa/DSAlist.pdf>.

<sup>8</sup> OECD (2020), Global Outlook on Financing for Sustainable Development 2021.

**“ Stopping the spread of COVID-19 also means stepping up our support for microenterprises and small businesses to help them weather the effects of the pandemic, limiting the degree to which a health crisis also triggers an economic one. ”**

together with the European Commission to finance the COVAX Advance Market Commitment to help COVAX secure and accelerate the deployment of 1 billion doses of vaccines for people in 92 low- and middle-income countries. Other elements of the EIB’s pandemic response include support for urgent medical equipment supplies and COVID-19 treatment facilities and increased local African manufacturing capacity of pharmaceutical ingredients.

Stopping the spread of COVID-19 also means stepping up our support for microenterprises and small businesses to help them weather the effects of the pandemic, limiting the degree to which a health crisis also triggers an economic one. In 2020, we increased our lending in support of microenterprises and SMEs outside the EU by 83% to €4.2 billion. At the same time, it is important that the strain placed on government finances by the pandemic does not lead to a decline in infrastructure investment. Our continued support for investment in social and economic infrastructure helps protect against this knock-on effect of the pandemic.

### **Green, inclusive, resilient**

When this pandemic is over, can we return to business as usual? The truth is that COVID-19 has only exacerbated the already slow pace of progress towards the elimination of poverty and the achievement of the Sustainable Development Goals around the world—goals that we already looked likely to miss. When we examine the challenges facing the world in the next few decades, the kind of development finance provided by the EIB is clearly more important than ever.

Emerging and developing economies need to return to growth to speed the elimination of poverty and the elevation of living standards. But for all our sakes, that growth needs to be green. We must ensure that these countries have access to the finance and technical assistance they need to make new green technologies viable and attractive as the basis of a new sustainable development model.

This green growth must also be inclusive, expanding access to basic goods such as clean energy, water and mobility, as well as education and healthcare, to ensure equal opportunities. Ensuring that businesses and micro-entrepreneurs have access to the finance they need is essential to address huge needs for decent jobs. Development assistance must promote high standards on issues such as gender equality, human rights and labour rights, as well as the transparency needed to tackle corruption.

It must also be resilient. This a lesson we can draw from the pandemic. The next decades will see growing risks from climate change and extreme weather events, as well as ongoing risks from conflict and the possibility of future pandemics. Achieving resilience in energy, food, education, health and business systems requires urgent investment, not least in making sure that infrastructure is resilient. It requires investment to expand access to quality healthcare and digital services. It requires economic diversification and the mitigation of vulnerabilities arising from high debt and fragile financial systems.

*Tessa Bending, Colin Bermingham and Emily Sinnott are economists at the European Investment Bank.*

# VACCINE SOLIDARITY

**A groundbreaking global initiative to ease the health and economic impact of the pandemic means that poor countries will get access to COVID-19 vaccines in Africa**

**N**o one is safe until everyone is safe, because infectious diseases do not respect borders. To protect everyone, all countries, regardless of income, should have access to a COVID-19 vaccine.

That's the mission of the groundbreaking COVAX global initiative—jointly led by Gavi, the Vaccine Alliance, the World Health Organization and the Coalition for Epidemic Preparedness Innovations. Supported by the European Investment Bank and the European Commission, COVAX aims to ensure equitable access to a safe and effective COVID-19 vaccine across all economies.

“A fair and equitable distribution of the successful COVID-19 vaccines is key to tackling the pandemic and alleviating a dire situation in developing countries,” says Raffaele Cordiner, the European Investment Bank investment officer on the project. “The joint effort of the European Investment Bank and the European Commission as Team Europe highlights the importance of the multilateral approach to solving global health issues. Europe has put together an innovative financial instrument that shows the kind of solidarity with our fellow humans that’s needed at this difficult time.”

The European Investment Bank is investing €600 million in COVAX Advanced Market Commitment, the innovative financing instrument that supports the participation of 92 low- and middle-income countries in the COVAX Facility. The instrument gives these countries access to 1.8 billion donor-funded doses of COVID-19 vaccines. Combined with additional support for country readiness and delivery led by Gavi and its partners, the World Health Organization and UNICEF, COVAX will make sure the most vulnerable in all countries can be protected, regardless of income. It is the EIB’s largest-ever support for global public health.

As well as its guarantee of fair access for every country, COVAX aims to accelerate the development and manufacturing of COVID-19 vaccines. It supports the deployment of vaccination campaigns, including the temperature-controlled supply chain required for effective distribution of the vaccines.

Nearly 100 self-financing participant economies make a financial contribution to COVAX and pool resources for vaccine development and purchase. Meanwhile, the low- and middle-income economies have their participation in the model financially supported by donor contributions. These include countries in sub-Saharan Africa and the EU’s Southern Neighbourhood, where vaccines would otherwise be unaffordable. “This particularly stood out as a solidarity mission,” says Anna Lynch, a life sciences specialist at the European Investment Bank, who worked on the COVAX deal. “While we saw barriers going up around Europe to prevent the spread of infection, there was also a willingness to contribute to ensuring equitable access to vaccines.”

Half of the world’s low-income countries and a quarter of middle-income countries face a high risk of serious economic impact due to COVID-19. The World Health Organization estimates that 132 million could be added to the world’s total of hungry people because of the impact of the

**// There was remarkable cooperation and speed, so that we can end the acute phase of the pandemic and rebuild economies. //**

pandemic. “This crisis is unprecedented in terms of the global and synchronised nature of the impact,” says Debora Revoltella, the European Investment Bank’s chief economist. “Nearly all countries and regions of the world are affected. For all or most of these countries, it is one of the most severe blows to growth on record.”

### **Equal access to vaccines for all**

A vaccine is one of the best tools to overcome the impact of the pandemic on health and the economy.

COVAX is funding the development of a range of potential vaccines. It supports the manufacture of vaccines at scale and negotiating vaccine prices with manufacturers. COVAX’s investments enable manufacturers to expand manufacturing capacity immediately, producing the vaccine even while it is being evaluated in clinical trials and before it has a licence. If the vaccine is successful, it will be available right away.

COVAX’s aim is to ensure that all countries can access doses of a safe and effective vaccine on roughly the same accelerated timeline. That’s essential to bring the pandemic under control and reduce its impact on economies, communities, individuals, trade and travel.

In the acute phase of the pandemic, COVAX’s focus will be on securing sufficient supply and resources to provide all economies with vaccines to protect the people most at risk—health and social care workers, the elderly and those with underlying health conditions. Vaccines will be allocated equally between self-financing and Advanced Market Commitment-eligible economies, based on WHO’s Fair Allocation Framework.

### **Strength in unity**

The European Investment Bank’s services worked “as fast as humanly possible” to structure and sign the COVAX deal, says the EU bank’s Cordiner. “There was remarkable cooperation and speed, so that we can end the acute phase of the pandemic and rebuild economies.”

The European Investment Bank’s loan is backed by a guarantee from the European Commission under the European Fund for Sustainable Development, which promotes a proactive development aid policy and primarily supports investments in the EU Neighbourhood and Africa. This is in addition to €100 million of European Union support for COVAX.

This global approach to vaccination will enable social and economic recovery and reduce the chance of a resurgence of the disease. COVAX shows that there is truly strength in unity.

# FAST RELIEF

**For Morocco's health system, COVID-19 is a severe challenge. Swift financial action from the EIB helps fight the crisis—and train medical staff to improve quality of life across the country**

**B**eds are filling up with COVID-19 patients at the Centre Hospitalier Universitaire (CHU) Ibn Rochd in Casablanca. Professor Kamal Marhoum El Filali, head of the hospital's infectious disease service, says the hospital "is managing" the influx. But if admissions keep rising, he says, the hospital could quickly run out of intensive care and resuscitation beds. "We're in greater and greater difficulty," Dr Marhoum says.

**Morocco acted decisively to contain the pandemic in the spring of 2020, putting the entire country in lockdown and cutting off tourism and other travel. But like many nations, Morocco faced a second, tidal wave of infections.** By November 2020, over 320 000 people in the country of 37 million had contracted the virus and around 5 000 had died. The health system was creaking under the weight.

CHU only takes patients with severe cases of COVID-19—those requiring intensive care or resuscitation—and its own employees who've been infected with the virus. One of the hospital's biggest problems, Dr Marhoum says, is managing the increasing number of hospital workers who have fallen ill or been exposed to the virus and who need to self-isolate for up to 14 days. "We're already short-staffed," he says. "It's an enormous organisational problem."

## Staring down a pandemic

When Morocco locked down in spring 2020, the country had recorded only 77 coronavirus cases. The government, however, had watched the virus decimate parts of Spain, and officials knew that the country's health system lacked the resources to fend off a similar onslaught. "If we had reached the same level as Europe, we would have been overwhelmed," Dr Marhoum says.

The drastic measures enabled Morocco to keep the number of deaths low. The fatality rate—the number of deaths to total infections—in the first wave was one of the lowest in the world. As in other parts of Africa, the low death rate is attributed to Morocco's young population.

Lockdowns also bought the government precious time to set up testing facilities, websites and hotlines to communicate with the public. The government worked with global bodies like the World Health Organization to hone its pandemic response and raised urgently needed funds from international lenders, including **the European Investment Bank, which is providing a €200 million loan for medical supplies, training and other measures to reinforce the health system. These efforts spared the country's fragile health system and its 9 200 public-sector doctors from acute stress.**

## Constant contact

The Morocco lockdown came just one week after Hervé Guenassia, a senior European Investment Bank loan officer and country lead for Morocco, returned to Luxembourg from Casablanca. He kept

**“ The urgency and pressure were enormous, as I knew that we were literally saving lives. Time was of the essence. ”**

in constant contact with Moroccan authorities as the pandemic unfolded and the EU bank responded quickly to a request for help in March. The €200 million EIB loan pays for medical devices, supplies and equipment. The flexible loan terms allow Morocco to use the money for any COVID-19-related health purchases made since 1 February 2020, and enable officials to provide proof of purchases retroactively. The loan can also pay for up to 90% of the project cost, far above the normal limit of 50%.

The money reached Morocco in record time, with €100 million disbursed in just one month. “The urgency and pressure were enormous, as I knew that we were literally saving lives,” Guenassia says. “Time was of the essence.”

Guenassia used the Morocco loan as a springboard to set up an overarching facility—the Neighbouring Countries COVID-19 Public Health Care Programme Loan—to help EU neighbours in Eastern Europe, the Middle East and North Africa to weather the crisis. The EIB board approved the new programme loan swiftly within a month. The loan is made possible by Team Europe, which helps EU partner countries deal with the pandemic by combining resources from the European Commission, Member States, the European Investment Bank and the European Bank for Reconstruction and Development.

### **Long-term partnership**

Since 2006, the European Investment Bank has been co-financing a large-scale hospital reconstruction, rehabilitation and equipment programme, financing 16 existing hospitals with a €70 million loan and a €13 million grant. The ambitious modernisation programme was accompanied by new planning and delivery methods and tools, many of which resulted from the involvement of the European Commission. One of these hospitals, the Prince Moulay Abdellah Hospital in Salé, demonstrates the concrete impact of the EIB’s long-term financing on the health sector. With an increase from 159 to 250 beds, the hospital became a regional centre for patient care during the height of the pandemic.

Even so, Morocco is one of the African countries most affected by the coronavirus. Anna Barone, head of the EIB office in Morocco, says the pandemic exposed huge gaps in the country’s healthcare system: inadequate hospital infrastructure, a lack of trained medical personnel and large disparities in healthcare coverage. At the beginning of the crisis, Morocco had one of the lowest ratios of hospital beds per population in the region with just 1.1 beds for 1 000 people. Total annual public spending on healthcare is also low for the region, at about \$160 per person.

While the lack of infrastructure remains a daunting challenge, in the short term Morocco has managed to respond effectively to the crisis, successfully tapping the international community for money and expertise. The country has doubled the number of hospital beds, to about 3 000. Loans from the EIB and other lenders have helped pay for much-needed medical supplies, equipment and treatments, as well as training for medical staff. Morocco has about one-third the number of doctors per 1 000 inhabitants as neighbouring Tunisia (0.54 per 1 000). Part of the EIB loan will be used for “soft” investments, such as educating clinicians and doctors and providing training for medical and administrative staff at hospitals.



## **Bumpy road to universal care**

Morocco embarked on a plan to introduce universal healthcare in 2002. It has yielded results. Life expectancy in Morocco is high, and key indicators have steadily improved. Infant mortality was halved from 42 deaths per 1 000 live births in 2000 to 20 in 2017.

The most recent drive to expand health coverage takes the form of a five-year strategy, from 2017 to 2021, which calls for improving hospital resources, expanding medical coverage to the self-employed or those in regulated professions, increasing the number of health-sector employees and standardising the education received by medical students in Morocco.

The reality, however, is that healthcare, particularly primary care, remains elusive for many Moroccans. While United Nations Sustainability Development Goal 3 calls for universal access to at least basic healthcare, many Moroccans don't have access, either because they live in rural areas or because they aren't covered by the public insurance system.

## **Crisis an opportunity for reform**

Barone says that the groundswell of international support Morocco received during the pandemic could provide the momentum needed to tackle the remaining aspects to improve access to healthcare. "We need to take advantage of the urgency of the crisis to implement reforms that typically take much longer," she says.

The European Investment Bank has a role to play there too. Barone says that the Bank can help increase cooperation between the different agencies involved in Moroccan healthcare, providing expertise and technical support. The EU bank can also help renovate and build more hospitals, particularly in rural areas.

The European Union and Morocco are working on a new cooperation agenda for 2021-2027, which could also provide new momentum for reforms. "This provides a huge opportunity to set priorities to relaunch the economy and support society," Barone says, "making improved healthcare a central pillar of the country's recovery."



# SAVING YOUNG DREAMS

**In lockdown for COVID-19, education has suffered. Morocco and Tunisia moved fast to equip students to learn remotely and thrive**

**M**ore than 1.6 billion students worldwide have seen their schools close during the COVID-19 pandemic. The crisis forced schools to move online, which exacerbated inequalities that already existed in education systems. Back in the classroom, teachers have faced the massive task of making up for months of missed learning.

When the Tunisian government decided to reopen schools for the end-of-year exams in summer 2020, part of a European Investment Bank loan to modernise Tunisian schools was swiftly re-routed to buy masks and hand sanitisers, so that 220 000 pupils and 160 000 teachers could stay healthy and safe.

The €220 million project to modernise nearly a third of secondary schools across the country is financed by the European Investment Bank, the Tunisian government, the German development bank and the European Union. Thanks to this major project, 317 secondary school students in the rural village of Azmour, north-east Tunisia, have a newly renovated college with state-of-the-art equipment and facilities.

## **No laptop or internet**

When the pandemic forced Moroccan schools to close, remote learning was not easy for many students of the Euromed University in Fez. Many lacked a laptop or reliable internet access. The university made a special request for assistance, as the European Investment Bank and the European Union had already financed construction of the university. The Bank and the EU delegation in Morocco quickly donated €500 000 from the European Commission to help students work from home.

Only a few weeks after the EU donation, 420 laptops offering unlimited internet access for a year were provided to Euromed University students who did not have computers and were living in remote and poorly connected areas. One of them, Nouhayla Chahm, can keep her laptop for at least three years, because she has top grades. "I'm grateful to my university and to the European Union for giving me the courage and the energy to keep going," she says.

The grant also helped the university buy 3-D printers to make hundreds of reusable masks and disposable filters for students and staff. By using tech effectively, the Euromed University is also enhancing students' prospects in the workplace. The pandemic accelerated the digital teaching revolution, and the European Investment Bank is keeping pace.

# WHAT'S YOUR CLIMATE CHANGE RISK?

Poverty reduction and climate action now go hand-in-hand, because low-income countries are among the most vulnerable to global warming and the least able to adapt. Climate change risk assessment helps show where assistance is most needed

By Matteo Ferrazzi, Fotios Kalantzis, Sanne Zwart and Tessa Bending

**A** core part of the European Investment Bank's business as the EU climate bank, and a major provider of development finance around the world, entails understanding climate risk. We track the carbon footprint of our projects and target measures to reduce emissions, and we screen all our investments to ensure that they are compatible with the goals of the Paris Agreement. Crucially, we also ensure that project design takes into account the risks posed by climate change. Recognising climate risk—and any consequent need for adaptation and mitigation—helps ensure that we do not miss opportunities to enhance climate resilience.

## Understanding the dimensions of climate risk

It is important to be aware of how climate change and the climate transition could more broadly affect the economies and societies of the countries in which we operate. Among a number of economic analyses related to climate change, **we have developed the EIB Climate Risk Country Scores, an index that carefully builds on existing data and cutting-edge studies on the impacts of climate change at country level.<sup>9</sup> The index enables us to compare countries to see where the overall risks are highest and where development intervention supporting climate change mitigation and adaptation can make the most difference.**

For each country, we examine two main types of risk. Physical risk covers all future impacts of the changing climate, including the risk of natural disasters ("acute risk"), as well as more gradual changes ("chronic risk"). Transition risks are policy and regulatory risks driven by the introduction of stringent climate policies to help countries achieve carbon neutrality in line with the Paris Agreement goals. These climate policies affect the cost of doing business and the returns on domestic assets, increasing the likelihood of carbon-intensive assets becoming stranded.

## Quantifying the physical risks posed by climate change

The physical risk scores are based on an estimate of the total annual burden each country faces in damages, costs and losses related to climate change. The scores are composed of the following elements:

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<sup>9</sup> See Ferrazzi, M., F. Kalantzis and S. Zwart, "Assessing climate risks at the country level: The EIB Climate Risk Country Scores", EIB Economics Working Papers, May 2021.

- Acute risks of extreme weather events (storms, heatwaves, fog, etc.) and other climate-related natural disasters (floods, landslides, droughts, wildfires, etc.)
- Chronic risks arising from long-term and gradual shifts in climate patterns, namely:
  - Impacts on agriculture and food production
  - Impacts of rising sea levels, as a result of melting glaciers and ice sheets
  - Impacts on the quality of infrastructure needed. Just as natural disasters pose acute risks for infrastructure (such as the risk of damage), so gradual changes in climate can place infrastructure such as roads, ports and telecommunication systems under higher strain, making upgrades necessary and increasing capital and maintenance costs
  - The impact of higher temperatures on labour productivity, particularly for outdoor activity

To calculate such impacts, we draw on empirical studies and other academic research on the economic costs of climate events and changes, typically in terms of monetary costs or loss in percentage of gross domestic product.

In addition, the physical risk score incorporates an assessment of each country's capacity to adapt to climate change. The more countries are able to adapt to reduce their vulnerability to climate change, the less severe are likely to be the impacts they experience. Fiscal revenues and sovereign risk ratings are used as a proxy of each country's financial capacity to adapt to climate change, while governance factors and the level of human development are used as indicators of institutional capacity.

### **Quantifying the risks posed by the climate transition**

Similarly, the transition risk scores are based on an assessment of a country's exposure to the economic changes implied by the global climate transition, and on their capacity to reduce the negative impacts of that exposure (mitigation capacity). Countries can mitigate transition risks by taking action to limit or reduce greenhouse gas emissions. The long-term economic impacts of the climate transition will be lower for countries that can swiftly shift to a lower-carbon development model.

Exposure to the transition is based on:

- Revenues stemming from fossil-fuel business. These are expected to decline in the future due to stricter climate policies and changing consumer preferences
- Current greenhouse gas emissions performance. High emissions are likely to mean higher costs in the future as a result of higher carbon prices

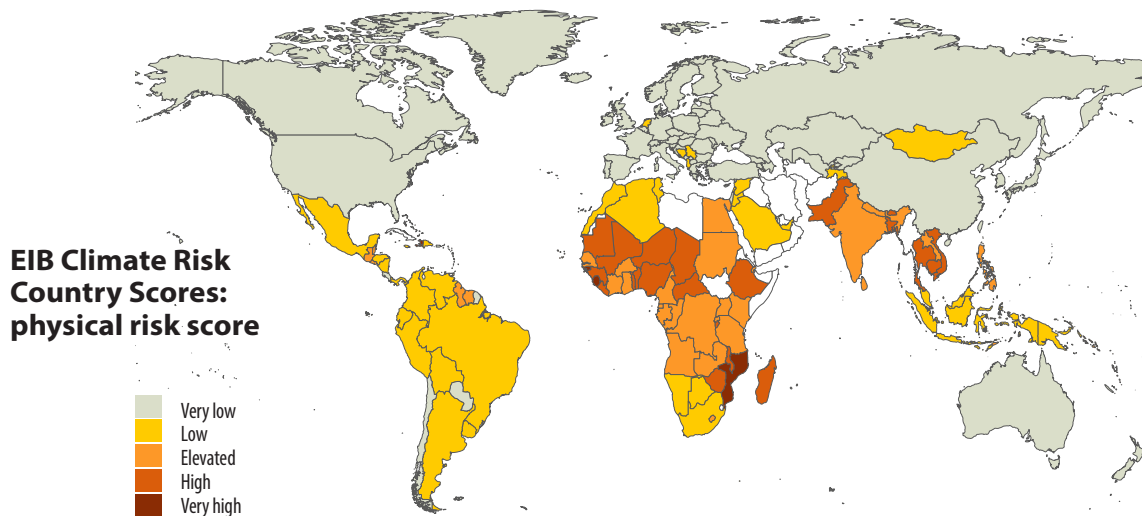
Mitigation capacity is based on three dimensions:

- Performance in deploying renewable sources of energy
- Performance in implementing energy efficiency improvements
- The level of commitment to tackling climate change, based on the "nationally determined contributions" each country has set under the Paris Agreement

Based on economic literature and econometric analysis, we have given these different components appropriate weights to create a composite indicator that reflects the transition risk country score.

### **Low-income countries are the most vulnerable to physical risks stemming from climate change**

No country is immune to the impacts of climate change. Some countries and regions are much more vulnerable to the direct, physical effects of the changing climate than are others. The EIB's physical risk country scores show very clearly the regions more at risk: sub-Saharan Africa, particularly the



Sahel; South and South-East Asian economies, particularly those with a high dependence on agriculture and low-lying coastal areas; and small-island nations in the Caribbean and Pacific.

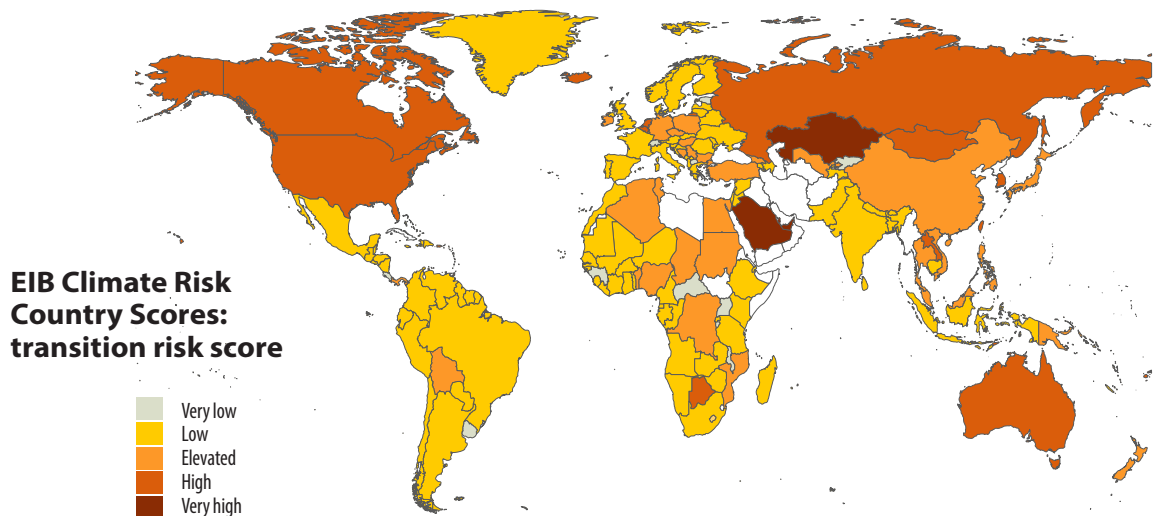
The vulnerability of so many low and middle-income countries arises partly from their geographical and climate situation. Small-island states in the Caribbean and Pacific are particularly vulnerable to hurricanes and cyclones, as well as sea-level rise. Many Asian and African countries are particularly vulnerable to long-term impacts on agriculture, as well as the impact of excessive temperatures on labour productivity. Many Asian and South-East Asian countries are very vulnerable to sea-level rise, as are some coastal African countries.

The capacity to adapt to climate change and enhance resilience is also important. Many of the countries most exposed to the direct physical impacts of climate change are also among those least able to adapt. Sub-Saharan African countries stand out in this regard, while adaptation capacity in the Caribbean and Pacific is more variable. In fact, many less developed countries are particularly vulnerable to climate change partly because they are less developed. Poor-quality infrastructure and housing amplify the human and economic impact of natural disasters, such as hurricanes. Over-reliance on agriculture makes many people and economies very vulnerable. High levels of public debt and weak domestic revenue sources hinder timely investment in adaptation. People on low incomes with few savings and little capacity to borrow are very vulnerable to any kind of crisis.

That's why poverty reduction and the decrease of climate change impacts now go hand-in-hand. Vulnerable low and middle-income countries need assistance to implement specific climate change adaptation measures, such as coastal protection or more resilient infrastructure. They also need more general development assistance to expand infrastructure provision, diversify their economies and raise incomes, something that would also make climate change impacts easier to manage in many cases.

**High-income countries face the greatest transition risks, but mitigation is more challenging for low-income countries**

The EIB's country scores for transition risk paint a different picture. Fossil-fuel exporters are most at risk. High-income countries, which consume a large share of world resources and generate significant emissions, generally face higher risks from the transition to a low-carbon world economy. However, developing countries are expected to face higher transition risks in the near future, as they catch up with developed economies and their economic growth does not decouple from greenhouse gas emissions.



That said, the transition risk for many low- and middle-income countries is still high, especially due to lower mitigation capabilities. The risks faced by some African countries like Chad, the Democratic Republic of Congo or Nigeria are higher than for some European countries. In some cases, this is because of high dependence on fossil-fuel revenues. But it especially reflects weak mitigation capacity, with slow penetration, so far, of renewables as energy sources and a lack of commitment to change, with scarce financing also influencing this aspect. Moreover, even where transition risks are low, green investment in developing countries is still urgent. They need tremendous investment to fill infrastructure gaps, reduce poverty and create decent jobs in a way that does not lead to unsustainable greenhouse gas emissions. That development transition also has to be part of the global climate transition.

### Green development finance needs to match the scale of the challenge

The climate risks faced by developing and emerging economies show how important it is that sufficient development finance for climate action is mobilised. That is where multilateral development banks such as the EIB have a vital role to play. In 2020, 30% of the EIB's lending outside the European Union supported climate change mitigation and adaptation. As the EU climate bank, we are committed to devoting 50% of our lending to climate action by 2025. This is vital, because development finance for climate action is still far below what is needed. Just over ten years ago, developed countries committed to raising climate finance for developing countries to \$100 billion a year by 2020. Latest estimates suggest that this target was not met.<sup>10</sup>

Yet, the \$100 billion target needs to be seen as a floor, not a ceiling. Now that we are past 2020, we need to set the target higher still, in line with the urgency and scale of the risks that developing countries—and the whole world—face from climate change.

*Matteo Ferrazzi, Fotios Kalantzis, Sanne Zwart and Tessa Bending are economists at the European Investment Bank.*

<sup>10</sup> [https://www.un.org/sites/un2.un.org/files/100\\_billion\\_climate\\_finance\\_report.pdf](https://www.un.org/sites/un2.un.org/files/100_billion_climate_finance_report.pdf).

# HOW TO FIGHT CLIMATE CHANGE WITH GENDER EQUALITY

**Development investments that involve women and take their needs into account are more effective and sustainable**

By Moa Westman

In many ways, women head the call for climate action. They are leaders, entrepreneurs and activists. Take Greta Thunberg, the 17-year-old Swedish activist, Patricia Espinosa, the Mexican diplomat who leads the United Nations Framework Convention on Climate Change, or the numerous female business leaders active in climate initiatives.

**Overall, though, women remain largely underrepresented in decision-making bodies designing climate actions or drafting policies, whether it is in the public or private sector. Climate-related projects and policies that involve women, however, have proven to be more effective and deliver better environmental outcomes, according to the UN.**

While climate change can be devastating for all people, especially those who depend on natural resources for their income, it affects women and men differently. Gender and social roles define the access men and women have to productive, natural and financial resources with implications for their resilience to the effects of climate change. Projects and investments implemented without women's meaningful participation are less effective and often aggravate existing gender inequalities.

## Adding women to the equation

The European Investment Bank made a historic commitment to align all financing activities with the goals of the Paris Agreement by the end of 2020 and to dedicate at least 50% of our financing to climate action and environmental sustainability by 2025. To deliver on these commitments, we launched our Climate Bank Roadmap. The roadmap highlights how well-targeted investment can assist the green transition and contribute to social development and gender equality. Gender-responsive climate actions can strengthen climate and environmental outcomes and often make a solid business case for investment. Investments that take women's needs into account help expand firms' customer base, enhance customer satisfaction, improve financial and business performance and attract more funds from other investors looking to make an impact.

Here are some ways we support women's involvement.

### 1: Lend to female entrepreneurs and climate funds managed by women

Women entrepreneurs are more likely to start sustainability-focused businesses and investment funds, but they often lack the money needed to scale up. Lending to those firms and funds can give

**“ Gender-responsive climate actions can strengthen climate and environmental outcomes and often make a solid business case for investment. ”**

them the heft they need to make a difference. An example is the EcoEnterprises Fund, a pioneering environmental fund in Latin America with a management team led by women. The fund invests in businesses focused on biodiversity, such as sustainable forestry and sustainable agriculture. It works actively with its portfolio companies to enhance employment and leadership opportunities for women and indigenous communities. The fund is backed by the European Investment Bank and FinDev Canada. EcoEnterprises is the first investment by FinDev Canada under the 2X Challenge, a global initiative to improve credit for businesses that are led by, employ and benefit women. The EIB is also part of the 2X Challenge.

### **2: Finance projects that tackle deep-rooted inequalities**

Our gender focus means we look at projects that break down inequalities built up over generations and which limit the access of women and girls to opportunity and their ability to adapt to the major challenges of our time, such as climate change.

Agriculture is a good example. Family farms run by women tend to be smaller than those run by men. The smaller size and limited access to financial and productive resources means that women generally lack the funds to cover weather-related losses or adopt technologies that would make their farms more efficient and resilient to climate change. Improving the conditions of female farmers, however, could increase their farm yields by 20-30%, improve soil fertility and protect ecosystems, according to the Food and Agriculture Organization.

The BlueOrchard-managed InsuResilience Investment Fund works with microfinance institutions to combine loans with insurance products that protect against extreme weather events and natural disasters. The EIB supports BlueOrchard with a \$25 million investment. As part of that, the fund agreed to ensure that 40% of its investments are in line with 2X Challenge lending criteria, ensuring women get improved access to finance as well as climate insurance.

### **3: Helping our clients set gender targets**

Through our advisory and technical assistance, we support our clients' efforts to set targets for women's employment and for leadership positions.

In 2020, responsAbility Investments, which is supported by the European Investment Bank and the Dutch entrepreneurial development bank, FMO, qualified one of its climate funds for the 2X Challenge by making a commitment to apply a gender lens to its portfolio investments and to have at least 50% of the firms it invests in provide quality employment for women.

The energy sector is one of the least diverse sectors, with women accounting for only 32% of the workforce. The fund's investments in off-grid renewable energy solutions can also improve women's lives. Women in rural communities spend up to 14 hours a day on unpaid care work, according to Oxfam. Much of that work is dedicated to collecting firewood, limiting the ability of women and girls to pursue educational or other productive activities. d.light, one of the fund's investments in East Africa, provides a pay-as-you-go scheme that enables low-income households to buy lanterns and home energy kits powered with solar energy. The lanterns enable women shop owners to extend their business hours well into the night.

**Climate investors need to think carefully about how to best promote gender equality in climate action and environmental sustainability**, while also empowering women and building new markets. More integrated investments can help solve the interlinked crises of climate change, environmental degradation and social inequality in a way that leaves no one behind.

*Moa Westman is a gender specialist at the European Investment Bank.*



# TAKE A RISK

## An innovative finance partnership with Luxembourg backs climate funds in developing countries by cutting the risk for private investors

**S**ome countries lack the financing structures or capacity to support businesses that are looking at alternative energies, energy efficiency or sustainable land use. Unlocking private finance and de-risking projects in developing countries is key to bridging the financing gap.

The Luxembourg-EIB Climate Finance Platform is an innovative model that channels private investment alongside EIB investment to address these challenges. Created by the European Investment Bank and Luxembourg in 2017, the platform has fast decision-making processes and clear criteria for climate finance. These criteria derive from donor and investor priorities, as well as the EIB's global experience in climate finance, our in-house technical expertise with more than 300 engineers and economists, alignment with other international financial institutions, industry-leading investment standards, and stringent environmental and social standards, monitoring and reporting. The platform aims at lower emissions and higher energy savings, land restoration and the promotion of new technologies.

The platform makes equity investments in junior tranches of layered funds, which reduces risks for private sector investors in senior tranches. These funds then invest in companies in emerging countries that are involved in climate change mitigation and adaptation projects. The platform has a multiplier effect, which is defined as the ratio of total investment in final projects to the platform's initial commitment. The €20 million invested by the platform and €166 million invested by the EIB, thus, leverage €3.4 billion in project investment.

The Luxembourg-EIB Climate Finance Platform currently works with four funds:

The **Green for Growth Fund** is an impact investment fund that mitigates climate change and promotes sustainable economic growth, primarily by investing in measures to cut energy consumption, resource use and CO<sub>2</sub> emissions.

The **Land Degradation Neutrality Fund** supports private sector-led projects that promote sustainable land management, mainly through sustainable agriculture and forestry.

The **Access to Clean Power Fund** supports small companies that provide renewable energy solutions. It aims to contribute to positive economic, social and environmental impacts, helping companies grow by offering working capital to finance inventory and receivables, and project debt to finance specific project assets.

The **Climate Resilience Solutions Fund** is the first investment fund to focus on climate adaptation and the first commercial investment vehicle to focus on small companies involved in climate intelligence and solutions for developing countries (such as agricultural analytics).

# FOREST REHAB FOR YOUR CHOCOLATE

**Cocoa demand is on the increase, which poses a threat to forests in the countries producing it. New EU laws seek to tackle "imported deforestation" and the government of Côte d'Ivoire is partnering with the EU bank to rehabilitate its degraded forests for future generations**

By Jane Feehan

**C**ôte d'Ivoire is the biggest producer of cocoa in the world. When I moved to the West African country in 2019, I saw first-hand how *Theobroma cacao*, a species native to South America, has become an integral part of the economy. Cocoa generates over 40% of export revenue and its value chain employs some 6 million Ivorians.

The tragic reality of this expanded cocoa production, however, is that Côte d'Ivoire has lost a startling 60% of its forests in the last 25 years. The country's remaining forests lie mainly in national parks and forest reserves, but even here, large areas have already been taken over by cocoa. This country's identity centres on its natural capital and heritage: the symbol of the elephant, for example, is everywhere, but elephants have almost disappeared in the wild. The disappearance of its forests is an environmental loss that is even more profound, with far-reaching consequences for everything from soil fertility, watershed management and water quality, biodiversity, carbon stocks, and the loss of the vast range of goods and services people derive from forests and on which many rural poor depend.

But this may be about to change. A transformative decade has begun. Heralded by the Green Deal, the United Nations Decade on Ecosystem Restoration and spurred on by deepening concerns about the impacts of the cocoa value chain on forest loss and the welfare of the people who work in that value chain, the European Union is proposing two new pieces of legislation, which are expected to be approved mid-year. And the government of Côte d'Ivoire is partnering with the European Investment Bank to finance a project to restock the country's forests.

## Cocoa on the increase

Côte d'Ivoire is a least-developed country ranked 162 out of the 189 countries on the UNDP Human Development Index, with almost a third of the population living below the poverty line. Its income from cocoa, along with cashews, bananas and coffee, define the country today.

Cocoa consumption is on the increase, despite the impact of the COVID-19 pandemic: reduced demand for craft or luxury chocolate products, combined with supply chain disruptions caused by COVID-19 restrictions. In the longer term, the global cocoa bean market is expected to grow at a compound annual growth rate of 7.3% from 2019 to 2025 to reach \$16.32 billion. The chocolate industry had a retail market value of \$106.19 billion in 2017 and is likely to grow to \$189.89 billion by 2026. In purely economic terms, that's good for Côte d'Ivoire, which accounts for 42% of world

**“ The EU’s plans can make a big impact, because it’s the biggest importer of the cocoa produced by Côte d’Ivoire. ”**

cocoa production. But it carries terrible risks for the country’s forests. At current rates, all Côte d’Ivoire’s natural forests will be gone in 20 years.

### **New EIB finance alongside new EU laws**

That’s why the first of the two EU laws is so important. It concerns imported deforestation. With its imports of products such as cocoa, palm oil, meat, corn and soya, the European Union contributes indirectly to about 10% of global deforestation. To prevent its considerable market power continuing to drive deforestation and forest degradation in other parts of the world, the European Union aims to impose new rules on the provenance and traceability of a range of commodities, including cocoa. The second new law embeds sustainability in the EU’s corporate governance framework. That means corporate social and environmental responsibility with teeth.

The European Union’s plans can make a big impact, because it is the biggest importer of the cocoa produced by Côte d’Ivoire, importing 67% of the country’s cocoa beans. EU partners, including the European Investment Bank, Member States and development agencies, have developed a Team Europe initiative to support sustainable cocoa in Côte d’Ivoire and focus collective efforts.

Meanwhile, the government of Côte d’Ivoire has developed a ten-year strategy to protect, rehabilitate and re-plant the country’s forests.

Following a series of orientation discussions, our team of forest and financial specialists is exploring the best way for the Bank to contribute to the implementation and financing of the Ivorian government’s ambitious, transformative plan. We already mobilised technical assistance funding for the pre-appraisal and appraisal stage of the plan. Our ultimate financing would concentrate on capital-intensive structural investments, such as nurseries, infrastructure, equipment, afforestation and reforestation activities, as well as essential supporting activities such as studies and inventories and forest management plans.

The European Investment Bank brings a long-term perspective to the project that matches Côte d’Ivoire’s timeline. With the cocoa value chain under scrutiny, our investment helps Côte d’Ivoire secure its EU markets. It also supports Côte d’Ivoire in restoring its natural heritage. Some of the tree species to be planted will help meet local and regional short- and medium-term demand for forest and timber products, taking the pressure off the remaining forests. Others will be planted for future generations—the spectacular giants of the region’s forests, such as the awe-inspiring Fromager with its massive buttress roots and giant reach, or iconic high-value timber trees such as Tiama and Fraké, which have become rare in the wild. Such species take many decades to reach maturity, and they’re emblematic of the transformation which is underway. The growth of these rehabilitated forests is a development legacy that will outlive us all.

*Jane Feehan is head of the EIB’s regional office for West Africa in Abidjan.*

# CREATIVE FLOW

**Water engineers in Africa face unique puzzles for each project. Here are some creative development solutions designed to meet Africa's water needs and build its long-term independence**

By Caroline Ogutu

It is a misconception that engineers are good at logic, but cannot think innovatively. With climate change challenging us, creative thinking is required for civil engineers working in development like me, just as much as for the most creative of professions.

Creativity is a human need, a vital part of our evolution. Admittedly, it is a bit less of a critical need than water, but development is a kind of evolution of societies and economies. **Each time I face a new challenge as a water engineer, I need to come up with a tailor-made solution to deliver water and sanitation to people.**

In the African context, every water project is unique and we have to use different approaches to ensure the projects are sustainable and meet the needs of the population.

## Creative solutions in Tanzania

One project that required a good deal of creative thinking—as well as detailed work on the ground—is the water and sanitation project for Mwanza and its satellite towns of Lamadi, Misungwi and Magu as well as the towns of Bukoba and Musoma on the Tanzanian banks of Lake Victoria.

The aim of the project, which the European Investment Bank started in 2013, is to protect the environmental health of the lake, by providing improved water and sanitation to the people in these Tanzanian towns. That is because pollution from these towns is part of the general degradation of this freshwater lake.

Of course, it is much more than a secondary benefit that the project will provide safe drinking water for approximately 1 million people and improved sanitation for up to 100 000 people.

But what was creative about this project?

For one thing, we used the local environment as part of the water solution. The Lamadi water scheme, with its treatment plant right on the shores of the lake, required innovative ways for the water intake works. Infiltration galleries were proposed whereby water from the lake is first filtered through the sand bed, before flowing into a treatment system away from the shores. Infiltration galleries are permeable, horizontal or inclined conduits into which water can infiltrate from an overlying or adjacent source, in this case the lake. The sand filters out the sediment and suspended solids—that is, polluting matter—from the water like a sieve. The water has been cleaned and is ready to be chlorinated or otherwise treated. The filtration helps avoid waterborne diseases and it is all based on use of the local environment.

**“ In the African context, every water project is unique and we have to use different approaches to ensure the projects are sustainable and meet the needs of the population. ”**

Obviously that would not work in every situation, which is why it required creative thinking.

### **Creative highs and lows**

The most creative aspect of the Mwanza project, however, concerns the handling of the informal settlements, which did not have any sewerage service. The settlements largely depend on on-site sanitation, such as pit latrines. It is common to find more planned settlements on the higher elevations, with the informal ones mostly on low-lying terrains. Uniquely, in Mwanza the situation is different. The hills above Mwanza largely have informal settlements of closely packed dwellings with no infrastructure and no organised system of roads, thus posing a great challenge to water and sewerage service provision.

For one thing, the wastewater from the informal settlements flows downhill without any sewer connection. These settlements also did not have consistent water supply due to inadequate connections and the inability of the residents to afford the connection fees.

We called the idea we developed **simplified sewerage solutions**.

Here's how that works. Simplified sewerage solutions are designed with a great deal of community awareness-raising and mobilisation. In partnership with UN Habitat, we formed community monitoring groups we called multi-stakeholder forums in the respective communities within the informal settlements. The forums are comprised of volunteer members of the community, administrative officers and health officers. The main task of the forums is to mobilise and make the community members aware of the importance of environmental sanitation, but more specifically mobilise the community to connect their toilets to the sewerage system. The forums also act as mediators in resolving disputes that arise during construction.

So, how is the simplified sewerage built? The forum organises the community into conglomerates of, say, ten homes, which will be responsible for their own sanitation. Each conglomerate was given the task of connecting its individual on-site toilets and individual homes to a collection point. From there, MWAUWASA, the local utility then builds a main pipeline and lateral lines that draw the sewage from the collection points and dump it into the existing conventional sewerage system.

But the community is not left to do that alone. The simplified sewerage solution is really built around this leg of the community engagement. The forum and our consultants teach them—with frequent awareness-raising meetings—about the importance of sanitation, the importance of having and using improved toilets, and how to maintain the connections. We also fund this

construction and maintenance, and the utility provides the materials to build the connections. A contractor comes in to build them. One person from the residents' conglomerate is appointed to lead the group and to ensure maintenance of the connections.

The population is involved. They buy into the project, thanks to the extensive meetings and education carried out in cooperation with UN Habitat. They are part of the construction decisions and they oversee everything. Of course, they are not the only ones to benefit. The utility finds, you might say, a path to penetrate these dense informal settlements. In addition, the utility gets revenue from the connections. The rest of the town benefits, because the waste from the settlements on the hills no longer flows down into their community.

// **The population is involved. They buy into the project.** //

One aspect of the project that has particular resonance now is this: the water points, handwashing facilities and sustained hygiene education provided in schools and communities as part of this project have raised the level of awareness and emergency preparedness around the threat of COVID-19 in the area.

The €104 million project was funded with a €45 million loan from the European Investment Bank, as well as €45 million from Agence française de développement and €14.5 million from the government of Tanzania. The European Investment Bank also brought in technical assistance grant money from the European Union.

That technical assistance was key. Before the project even started, we financed a master plan to look at water demand and water needs for the population in the future. We also prepared a master plan for sanitation. The result was that, when it came to the financing, we knew what needed to be done and we could tailor it to the future needs of the population. That makes the solution sustainable.

### Kampala creativity

Another Lake Victoria project that required creativity is our improvement to the water supply in Kampala, the capital of Uganda.

Water supply networks in Kampala were spaghetti-like. They had not been laid with good planning, being constructed piecemeal at different times, so that everyone was connected from many different directions. This introduced a lot of inefficiencies into the system with losses from the use of wrongly sized pipes or leaks, for example, at the many poorly built intersections between different parts of the network. **At that time, about half the water was being lost between the water treatment plant and the tap. That meant the utility was also only being paid for half the water it was treating.**

To increase the water supply, we decided to improve the water infrastructure. That is to say, we could increase the water delivery from the existing water treatment plants just by improving and rehabilitating the pipelines. **This would enable us to bring the water—which had previously been lost—to people who weren't served before.** With our partners at Agence française de développement and Germany's KfW, the European Investment Bank also upgraded the water treatment plant, which increased water production to 240 000 cubic metres per day, from 150 000 before. We have started work on a new water treatment plant in the eastern part of Kampala to supply areas that never had water before.

### Kampala informal settlements solutions

The general solution we had for Kampala was not the same as the solution for Mwanza. In the same way, the solution for Kampala's informal settlements had to be different to the one we developed for the Mwanza informal settlements.

“ **People in Africa have to think of and own their own solutions. Then the solutions will be truly sustainable.** ”

For one thing, Kampala’s informal settlements are on low-lying ground, not in the hills, as Mwanza’s are. Nonetheless, we needed to reduce the amount of untreated water in these settlements, to reduce the incidence of waterborne diseases, and to bring sanitation services to 200 000 people in Kampala’s informal settlements.

The creative solution this time was **ablution blocks**.

Here’s how that works. In a public area, we would build a sanitation facility. Attached to the facility, it is proposed to have a restaurant or a shop, for example. The private operator of the sanitation facility would maintain it and charge a small fee for the residents of the informal settlements to use it. But the attached business would subsidise the operation of the sanitation facility. **The operator would have an incentive to keep the facilities well maintained and to keep the fee low, so as to attract people to the attached business and earn greater profits there. To keep the licence for the attached business, the operator also has to demonstrate to inspectors from the city council that they are maintaining the ablution blocks.** This provides long-term maintenance for the ablution block.

It is a remedy to a frequent development problem, which is that an outside entity invests a lot of money in building a sanitation facility, only for the lack of long-term maintenance to lead to a breakdown. Within a few years, the lack of management and maintenance leaves the facility malfunctioning or vandalised. The Kampala ablution blocks represent a creative way of making these facilities sustainable for the future, without demanding further major resources to keep them useable.

### **Creativity is critical to development**

These projects are critical to ensuring that Africa develops effectively. If we import a single solution, the sustainability will never be there. There needs to be a way for infrastructure to be maintained, for equipment to be easily available—and bought. Africans have to think of and own their own solutions. Then the solutions will be truly sustainable.

*Based in Nairobi, Caroline Ogotu is a water engineer in the European Investment Bank’s water security and resilience division.*

# SHARE IT

## The water crisis in developing countries requires an urgent increase in sharing of knowledge and capabilities

By Thomas van Gilst and Marco Beroš

**S**haring knowledge and experience is hard work. It takes a lot of time and research to understand the capabilities and needs of clients and then gather the right experts to offer guidance quickly and effectively.

The global water and sanitation crisis that is hurting the lives of billions of people around the world requires an urgent increase in action, and one key solution is knowledge sharing. People have always had basic skills to find water for survival. However, the scale of the challenges and the solutions we need to find require expertise not readily available everywhere. To provide clean water and dignified sanitation services to people in remote and poorer parts of the world in sustainable, effective ways, we need to fill a significant gap in knowledge and expertise.

Global population and urbanisation are growing quickly. We consume resources faster than they are replenished. Water authorities in many poorer countries work with small budgets and little training. In less developed countries, there is a shortage of investment and advice for water and sanitation projects.

### Inside and outside Europe

The European Investment Bank is unique because it works inside and outside the European Union. In Europe, we have raised service levels to very high standards over the past decades, developing significant experience and expertise at the same time. Our experts are well equipped to help all promoters mobilise the necessary expertise to prepare and implement tailored projects that best serve their communities' needs, all in line with our procurement, environmental and social standards.

The European Investment Bank is one of the largest lenders to the water sector, with €33 billion invested in over 300 projects around the world in the past ten years through loans, grants and technical advice. In Africa, the Bank has provided nearly €2 billion to water and wastewater treatment projects over the last decade. The projects signed in 2020 alone are expected to offer safe drinking water to 29.6 million people and improved sanitation for 15.5 million people.

### Skills, knowledge, tools

For the vast majority of projects outside the European Union, a large part of our work involves defining and mobilising technical assistance or capacity building. Before we sign a finance contract with a public authority or a private company, we make sure they have the skills, knowledge, tools, equipment and other resources needed to complete a project and manage the assets far into the future.



**“ Knowledge sharing at its most basic level makes sure the right decisions are made as early as possible to avoid going down the wrong road. ”**

Working in the water sector is not easy. There are continually problems to solve, such as treatment plant performance, supply disruptions, leak repairs, pollution events, billing and collection. Water is also expensive to move. It weighs 1 000 kg per cubic metre and moving it over vast distances and elevations from source to tap requires expensive pumps that consume plenty of energy. It is easy to see how poor performance leads to high costs.

#### **A new town, a new plan**

Every town or region has its own water source—a spring, lake or river—and the infrastructure is unique to the area and not part of a national grid, like electricity or telecommunications. Water and sanitation services are generally not managed at a national level, but at local or occasionally regional levels. Sometimes the service is simply run by the city with few dedicated staff. This means that, especially in poorer countries, expertise is thin on the ground and staff have limited experience with large capital investment projects. Experienced engineers tend to seek opportunities elsewhere, for example within ministries or in the private sector. Technical assistance, therefore, makes a big difference in designing and implementing good projects, as well as building local capacity. This knowledge transfer can create many savings for a utility. Whether it be through formal training or on-the-job training with the deployed experts, utility officials and engineers become acquainted with project design approaches, best project implementation practices, are trained with new software, implement better procedures, and eventually are in a position to make large strides in terms of operational efficiency and financial sustainability.

One of the best recent examples of technical assistance designed to help a country far into the future is the work done in Moldova for its first flood management plan. The purpose was to increase preparedness and reduce damage if the country is hit by more flooding similar to the disaster that caused a lot of trouble in the region about a decade ago. We helped Moldova prepare a preliminary flood risk assessment, flood hazard maps, assess areas at high risk, define clear objectives to manage flood dangers and form an investment plan. We helped the country review 3 000 km of flood defences and 5 000 dams and reservoirs.

Knowledge sharing at its most basic level makes sure the right decisions are made as early as possible to avoid going down the wrong road. It makes sure we look forward in the right direction, consider all options to design and build the correct facilities to meet the population’s needs in a sustainable manner. It makes sure we protect and improve lives today and far into the future.

*Thomas van Gilst is head of the water security and resilience division at the European Investment Bank and Marco Beroš is a lead water engineer.*

# PROTECTING THE WATERWAYS

## The oceans face many threats, but plastic waste is one risk we can reduce today with harder work

By Juan Bofill

**P**lastic is entering the seas in greater quantities each year. In many countries, there is little control of this pollution because of poor waste management. The COVID-19 pandemic is increasing the problem when masks and other protective gear are not disposed of correctly.

The European Investment Bank is working on many ways to finance solutions to the plastics threat. As one of the largest multilateral lenders in the water sector, we have provided billions of euros to treat wastewater and provide clean water to millions of people around the world.

About 10 million metric tonnes of plastics enter the oceans each year. There could be 150 million tonnes circulating in the seas and other waterways today. Much of the plastic-based materials protecting the public and healthcare workers against COVID-19—like gloves, face masks and gowns—are single-use items, so this exacerbates the problem. Some of the millions of masks being tossed away are ending up in the oceans.

A lot of the plastic that enters the seas is less than 5 mm wide. These microplastics threaten ocean life and may harm humans when we eat fish. It is estimated that humans, on average, consume about a credit card per week in weight of microplastics.

### This pollution will get worse

The microplastics winding their way to the seas mainly come from textiles, tyres and city dust. Microplastics in the oceans are expected to keep increasing, particularly in lower-income countries with expanding economies. High-quality wastewater treatment plants can capture up to 99% of these plastics after they enter sewage water.

The private sector often does not invest in programmes to reduce microplastic waste, because these extra costs cannot be fully recouped through higher prices. This is why the public sector must adopt more rules to regulate microplastics, impose stricter pollution standards and offer affordable financing that will lead to more innovation and modern treatment plants.

In 2017, the European Investment Bank approved new lending policies for the water sector to offer more support and long-term loans on good terms to water utilities, water resource managers and companies that create industrial wastewater. The following year, the Bank launched the Clean Oceans Initiative with other public banks, to provide up to €2 billion for projects that remove plastics and other pollution from waterways.

The EIB is always looking for public and private institutions that want to work with us to create new initiatives, support innovation and raise public awareness of the plastic problem.

*Juan Bofill is a senior water engineer at the European Investment Bank.*

# FRESH WATER DOUSES VIOLENCE

## A fund from the EU and the Dutch government targets Niger's chronic water shortage to improve health and prevent radicalisation

By Yusuf Yassin

Improving the water supply in Niger's western border region is a perilous task. Militants have been active in the area for years and violence is common along the border with Mali and Burkina Faso. Site visits by water experts must be under the protection of the army. But Niger needs help to improve its water supply. The availability of clean drinking water is low by global standards, with large disparities between urban and rural areas. Niger ranks near the bottom of the UN Human Development Index. Many areas are threatened by drought and desertification. In the Tillabéri region, 92% of the population lives in rural areas and there is a chronic shortage of clean water, especially during the hot season when temperatures often rise above 40 °C. We are working with the Niger water authority to find solutions for these problems, backed by a donor fund supported by the Dutch government.

Niger is one of 18 countries in sub-Saharan Africa on the World Bank's list of **fragile regions**. "Addressing fragility requires urgent investment in the most basic infrastructure," Cristina Mejia García, a European Investment Bank loan officer overseeing projects in Niger, tells me. "Supplying clean water to societies and economies can make them more resilient and safe."

Niger's water needs are pressing now. And it is only going to get worse. In Téra, northwest of the capital, Niamey, only 40% of the 30 000 residents are connected to a functioning public water system. Niger's water authority, Société de Patrimoine des Eaux du Niger, needs a tenfold increase in clean water provisions over the next 20 years just to keep up with Téra's rapidly growing population.

Water is not just a matter of health, either. It can reduce violence. "Economic and social development in the Tillabéri region will help prevent radicalisation in a high-priority area for the government of Niger and the European Union," Cristina tells me.

The European Investment Bank's Water Sector Fund is financing a study to identify the most sustainable technical solution for Téra. Karin Roelofs, head of the water division in the Dutch Foreign Ministry, says providing access to drinking water in countries like Niger is a priority for her team. "By working with the EIB through the Water Sector Fund, we are able to link such priorities to the EIB's financial and technical capacities."

The fund is part of the European Investment Bank's "donor partnerships." Partners place a donation in a fund managed by the European Investment Bank, which uses this money to help regions in need around the world with grants, loan guarantees and technical assistance. We manage nine trust funds financed by EU countries, the European Commission and the United Kingdom. We hope to expand these funds to include other governments, philanthropies and foundations.

*Yusuf Yassin works in mandate management at the European Investment Bank.*

# ALL ABOARD

## Taking women's travel patterns and specific needs into account can improve the accessibility, safety and use of public transport

By Maja Roginska and Moa Westman

**W**hen it comes to transport, the needs of women and men could not be more different. Women across the world spend up to four times longer travelling than men—though men travel greater distances. Women tend to use slower modes of transport and have more stops on their journey. Overall, women have more complex mobility patterns. Men tend to have triangular mobility patterns—home, work, activity—while women's travel spiders out in different directions and includes multiple stops. Women, or any caregiver, make shorter, more frequent trips dispersed throughout the day. Women also tend to travel more during off-peak hours.

The main reason is the unpaid work that women do, caring for children, family members and the elderly. Globally, women and girls spend 12.5 billion hours on unpaid care duties every day. That work affects women's mobility. But transport networks were not built with unpaid work in mind. Many were based on a linear model that links people's homes directly to their places of work. **That linear concept can make women's daily commutes, with their many stops, unnecessarily time-consuming, and limits their ability to participate economically.**

Faster, more efficient travel could lighten the burden of unpaid work, and possibly improve women's participation in the labour market. A whopping \$28 trillion could be added to the global economy by 2025 if women and men played similar roles in labour markets. In the European Union, closing the gender gap could create an estimated 10.5 million jobs by 2050.

### Designing for gender equality

How can urban planners take into account women's needs? First, survey communities and collect data on how different genders use transport. Ask questions like: "Are current services adequate, affordable?", "Are they safe to use?", "Do women have personal security concerns?"

When mapping out potential projects, planners should strive to:

- build a **circumferential as well as a radial transport network** that provides convenient access to city centres and services like supermarkets, day-care centres and schools
- **line up stations and stops** paying particular attention to the "last mile" travelled from the station or stop to the final destination
- **pay attention to physical features** that promote universal access, such as lower steps onto public buses or space for baby carriages and shopping trollies

### Security is key

The risk of harassment, sexual attack or general violence while using public transport is real for many women and can impede their mobility, particularly at certain times. Transport surveys in different parts of the world illustrate how prevalent the problem is.

## “ Faster, more efficient travel could lighten the burden of unpaid work. ”

- In the major cities of Latin America, six in every ten women report having been physically assaulted on buses and trains.
- In India, more than 50% of women express high concerns about the safety of their commute.
- Men experience harassment and violence as well. In Jakarta, two-thirds of women and one-third of men say they were sexually molested on public transport.

Security issues result in women deciding not to travel at all, or they circumvent the danger by changing their route or means of transport, which leads to inconvenience, discomfort and increased costs. Security concerns may result in families limiting the mobility of their daughters and, therefore, their access to opportunities like jobs or education. Those limitations can perpetuate gender inequality through generations.

Urban planners can take concrete steps to make public transport more accessible for women:

- **Review security at stops and terminals.** Install better lighting in waiting areas and corridors. Install and constantly monitor security cameras. Avoid building underpasses or tunnels, preferring overpasses instead.
- Post security staff, including **female security officers**, at crucial points.
- Provide **a sufficient number of secure toilets for women** at stations and terminals.
- Install emergency **panic buttons** on buses and trains and in transport apps.
- Allow bus drivers to accept **“at request” stops** at night, which can shorten a passenger’s walk from the bus station to her destination.
- Educate train and station staff on how to respond to incidents of **sexual harassment**.

### Employ women

One of the best ways to tackle inequality in public transport is to employ more female staff. A more balanced workforce would help the transport sector better address women’s needs. In India, it is common to reserve a percentage of job openings for women. A European Investment Bank project to renovate the Bangalore metro reserved 33% of jobs for women. Out of the 282 female employees, 118 are employed as drivers or station controllers.

Transport projects also need to address unpaid work, a key driver of gender inequality. Women’s higher level of unpaid work leads to persistent gaps in labour force participation, activity rates and wages. Even though gender roles and the distribution of carework are slowly changing, even in the most equal countries women still carry out the majority of unpaid tasks.

Transport alone can’t solve gender equality issues, but improving women’s mobility can make their lives easier, help them seize economic opportunities and build more equal societies.

*Maja Roginska is a senior transport economist at the European Investment Bank, and Moa Westman is a gender specialist.*

# CREDIT WHERE IT'S OVERDUE

## Guided by the 2X Challenge, ShelInvest finances women-owned businesses that often do not get the funding they need

By Moa Westman and Sabine Kayser

**W**omen are at the heart of the Ugandan economy. They own almost 40% of all registered businesses. But Ugandan women often do not get the support they need for their businesses to thrive. Women-owned businesses only account for 9% of commercial credit issued in the country.

Two efforts, the 2X Challenge and ShelInvest, aim to change that. Launched in 2019, the 2X Challenge is a global initiative that has committed and mobilised \$4.5 billion to support women's economic empowerment. The European Investment Bank is also mobilising €2 billion of gender-responsive investments across Africa through ShelInvest, which applies 2X Challenge criteria to its lending. In December 2019, we signed the first loan under the ShelInvest initiative with the Uganda Development Bank. Almost one-third of the €15 million loan will go to supporting women-owned and women-run businesses.

### Unmet credit needs

Initiatives like ShelInvest and the 2X Challenge are helping to fill an estimated \$1.7 trillion financing gap worldwide for micro, small and medium-sized businesses owned and run by women. While women-owned businesses account for almost a third of businesses worldwide, according to the International Finance Corporation, almost 68% of businesses owned or led by women have unmet credit needs. "Globally the odds are still stacked against women entrepreneurs," says Jessica Espinoza Trujano, chairwoman of the 2X Challenge.

Espinoza Trujano points out that companies founded by women receive less than half the funding of companies founded by men, although they deliver twice as much revenue per dollar invested. Research also shows that firms with women in at least half of leadership positions have higher sales growth, earnings and return on assets—and during times of crisis, their company share price performs better.

To address the problem, development banks like ours have adopted 2X Challenge criteria and the lending targets it sets for businesses that are led by, employ and benefit women. Here are some EIB-supported funds and financial firms making a difference in Africa:

**The pan-African private equity group, Development Partners International (DPI)**, invests in some of the continent's biggest names, such as Nigerian restaurant group Food Concepts, which operates the fast-growing Chicken Republic chain in West Africa. DPI uses its influence to push for change in companies on the board and among management teams. At Food Concepts, DPI worked with the company to promote women, and now 51% of the company's employees are female, while 49% are male. David Butler, managing director of Food Concepts, said the company had also increased the number of women-owned and led businesses it uses as suppliers. "We are working

## // Investing in women can yield a social and financial return. //

hard now to build gender balance into our supply chain,” he said. “And we are focusing on some really strategic areas of our business such as construction and logistics.” DPI leads by example. The chief executive and co-founder, Runa Alam, is a woman, as are half of the company’s partners and its investment committee. Women also account for almost half of employees. Founded in 2007, DPI manages \$1.6 billion in assets, and its portfolio companies employ over 40 000 people in Africa. The European Investment Bank has committed \$50 million to its newest fund, which was named a 2X Challenge flagship fund.

**Baobab Senegal** traditionally provides microcredit to small firms, such as artisans, market sellers and restaurateurs. Often, the businesses run by women are so small that they fail to interest most banks. Women also face obstacles in providing collateral. Family assets may not be in their name, or they may need their husband’s approval for the loan. Traditionally, microfinance associations have circumvented these obstacles by providing loans to groups of women, which then parcel the loans out, says Mamadou Cissé, chief executive of Baobab Senegal. In Africa, women often use these groups as a depository for their savings, allowing them to build up funds for weddings, funerals and children’s education, in accounts that simulate traditional banks. The microloans also help women and their families weather difficult times, like the coronavirus pandemic. “It’s an activity that is close to our heart,” Cissé says. The European Investment Bank is supporting Baobab with a €7 million loan. Four-fifths of that money will go to female clients. The funds will enable Baobab Senegal to provide 17 200 loans to entrepreneurs. We signed an additional €4 million loan in 2021.

The Women’s World Banking Capital Partners II Fund will make minority investments in financial service providers, promoting the participation of women as entrepreneurs, managers and employees, particularly in sub-Saharan Africa. More than 1 billion women globally lack access to financial services, according to Women’s World Banking Capital. The group is launching a new fund to help change that. The fund’s premise is simple: investing in women can yield a social and financial return. Through its investments, the fund helps financial service providers respond to the difficulties women face. In many countries, women spend a lot of time taking care of children and the elderly, which makes travelling to a bank branch to open an account or fill in a loan application difficult, particularly in traditional bank branches where queues can be long. The European Investment Bank is investing \$11.5 million in the fund, which plans to raise \$100 million.

*Moa Westman is a gender specialist at the European Investment Bank. Sabine Kayser is a senior policy officer.*



# HOW TO BE SENSITIVE

## Half of the world's poor live in fragile or conflict-affected countries. To end poverty, we need to break the cycle of fragility first

By Mariella Ciuffreda, Sladjana Cosic and Harald Schölzel

**G**aza has a water crisis. Only 3% of its freshwater meets the World Health Organization's quality guidelines. One of the most densely populated places in the world, Gaza faces the worst drinking-water conditions in the region. The solution: a desalination plant powered partly by solar energy, which would provide 55 million cubic metres of quality drinking water a year. Anywhere else, this project might have been easy to implement. But Israel has to approve the entry of materials and people into Gaza and takes a special interest in "dual use" materials that it considers potential security concerns. This is why the project stalled like many development projects in fragile areas.

**Fragility and conflict are critical development challenges.** Since 2010, we have seen a dramatic spike in the number of violent conflicts<sup>11</sup>. From highly internationalised conflicts, such as the war in Syria, to localised conflicts in east Ukraine, northern Mali, and Mindanao in the Philippines. But how can we even determine which country is fragile? Fragility is characterised by unstable institutions and poor governance, which results in weak political, fiscal, security and service delivery functions. Fragile states are either unable or unwilling to fulfil these core functions for the majority of, or for specific, sections of society. They are also more likely to experience violent conflict.

To understand how fragile a country is, the European Investment Bank relies on sources such as the Organisation for Economic Co-operation and Development. Its 2020 States of Fragility report lists 57 fragile states. The European Investment Bank has planned or active operations in 39 of them.

**Today, half of the world's poor people live in fragile or conflict-affected countries<sup>12</sup>.** By 2030, up to 80% of the extremely poor are projected to be living in fragile contexts<sup>13</sup>. According to the first among the United Nations Sustainable Development Goals ("no poverty"), that is the same year by which we are supposed to end poverty altogether.

Addressing fragility requires investment, to strengthen national institutions and make economies and societies more resilient. The European Investment Bank has a long record of investing in fragile contexts inside and outside Europe.

The Bank emerged as the leading international financier supporting reconstruction in the Western Balkans after the conflict-ridden 1990s. More recently, we launched the Economic Resilience Initiative, which uses donor funds and our financing to support the Western Balkans and the EU's Southern Neighbourhood. These operations seek to build resilience to unforeseen shocks, such as refugee migration, political instability and natural disasters. To date, 60 projects have been approved for a total of €5.83 billion in investment.

We also developed, together with the European Commission, a €200 million Early Recovery Programme to support the conflict-affected areas of Ukraine. In Mali, we worked to provide clean water to more than half a million people. We are also contributing to the peacebuilding process in Colombia, having approved more than €600 million in financing for infrastructure projects since 2006.



“ **The 2020 States of Fragility report lists 57 fragile states. The European Investment Bank has planned or active operations in 39 of them.** ”

### How things should be done

To strengthen the effectiveness of our development interventions and maximise the positive impact on peace, the Bank has developed a **conflict-sensitive approach**, which aims to:

- reduce the risk of the conflict and fragility derailing the project;
- avoid the risk of conflict being exacerbated by the project; and
- contribute to conflict prevention and peacebuilding efforts through its investments.

To help our staff translate the principles of conflict sensitivity into action, we set up a Conflict Sensitivity Helpdesk. The Helpdesk is run in collaboration with internationally renowned experts from two conflict-specialist organisations, Saferworld and Swisspeace. They help us assess contextual risks and opportunities and make recommendations for project adjustments to make them more conflict-sensitive. One of the projects in question is the desalination plant in Gaza.

After a decade of work, we are finally close to securing clean water for 2 million people. The Gaza project is a result of an international collaboration spearheaded by the European Investment Bank, and its €580 million cost will be split equally between Western and Arab partners. The idea for a desalination plant had been recommended years before we stepped in, but as with many development projects in fragile areas it required an increased commitment and resourcefulness.

### A common thread

Fragility is a complex phenomenon. As such, it is closely linked to other significant development themes, notably climate change, gender equality, migration and forced displacement. We are making important contributions in each of these. The Bank is considering how to build on the lessons of its Resilience Initiative, so that it can expand its work in climate change and fragility to further support inclusive and resilient infrastructure, cities, economies and societies. Climate action reduces fragility by improving countries' ability to respond and adapt to climate change. The same is true of gender equality; a 2015 global study named it the number one predictor of peace. If you contribute to gender equality, you contribute to conflict prevention in a fragile context.

There were 54 active conflicts in the world in 2019<sup>14</sup>. To break the cycle of fragility and poverty we need to help these societies and their institutions recover—especially since the COVID-19 pandemic threatens to exacerbate problems facing fragile states. We need to invest in these countries, and in a way that will empower people and create the conditions for them to invest in their own lives.

*Mariella Ciuffreda is a policy officer at the European Investment Bank. Sladjana Cosic is a senior social development specialist and Harald Schölzel is a water engineer.*

<sup>11</sup> World Bank

<sup>12</sup> World Bank

<sup>13</sup> OECD

<sup>14</sup> Strand, Håvard; Siri Aas Rustad; Håvard Mogleiv Nygård & Håvard Hegre (2020) Trends in Armed Conflict, 1946–2019, Conflict Trends, 8. Oslo: PRIO.

# HOW TO LISTEN

**Transport projects are good for the economy. Stakeholder engagement ensures they are also good for the environment and society. Here's how it worked with indigenous people in Honduras**

By Ana Dilaverakis

In Honduras, the government made improving the quality and safety of the road network a high priority as part of its development plan for the next two decades. The modernisation and rehabilitation of the Western Corridor was particularly important, as it connects San Pedro Sula, the second-biggest city and the country's industrial capital, with Guatemala and El Salvador. The road would promote tourism and enhance economic activity, as well as improving living conditions of the local communities in one of the poorest and most deprived regions in Honduras. That's why the European Investment Bank loaned €79.5 million and provided €3 million in technical assistance to the project. (We are also assisting the Honduran government in repairing damage to the project caused by severe hurricanes in late 2020).

However, the project affected an estimated 740 households, including some 180 families that would be physically displaced or economically affected. And the area where the project takes place is home to about 40 000 indigenous Ch'ortí people. The Ch'ortí are primarily dependent on agriculture and provide seasonal labour for large coffee estates and the tourism trade, while women also contribute to the economic activity through craftwork and artisanal products. Most of the Ch'ortí people live in extreme poverty and have a lower level of literacy than the average in Honduras. Nearly 50% are unemployed and, in general, they have poor healthcare access.

The situation of the Ch'ortí sparked a good example of stakeholder engagement.

Some individuals or groups may be less resilient to the adverse impacts of a project, particularly if they have been subject to discrimination, financial, cultural and/or gender inequalities, are more dependent on their environment or have limited access to justice and decision-making. These vulnerable groups often include indigenous people, whose identities and aspirations are distinct from mainstream groups in national societies and are often at a disadvantage in traditional models of development. Effective stakeholder engagement ensures that their needs are met and that a project does not cause negative social or environmental impacts.

The Ch'ortí are descendants of the ancient Mayan empire of Copan and, according to the United Nations Declaration on the Rights of Indigenous Peoples, they are considered vulnerable. Although most of those affected by the road construction were not indigenous, the project area was regarded as a vulnerable socioeconomic region. When they first heard of the planned work, the Ch'ortí leaders were worried it would mean expropriation of their land. Indigenous populations had previously experienced difficult situations with projects in which they had not been consulted.

The UN Declaration on the Rights of Indigenous Peoples recognises the need to respect and promote the inherent rights of indigenous people. Article 26 of the Declaration gives indigenous people the right to the land and resources they have traditionally owned, occupied, used or

## “ Stakeholder engagement goes beyond transparency obligations. ”

acquired. Moreover, the EIB’s environmental and social standards require borrowers to uphold an open, transparent and accountable dialogue with all project-affected communities and relevant stakeholders in an effective and appropriate manner. They also protect the rights and interests of vulnerable groups.

As a condition of co-financing the project, the European Investment Bank agreed with the Honduran government on strict safeguard requirements. “A satisfactory stakeholder engagement plan had to be designed and implemented before any EIB funds could be made available,” says David Lopez, the senior EIB engineer on the project.

“The vulnerability of the Ch’ortí settlements led the Bank to require more attention be given to protecting the rights and interests of the indigenous peoples,” adds Joana Pedro, the EIB’s social development specialist on the project.

To support this, the project received an EU-funded technical assistance grant and an experienced consultant responsible for relations with indigenous people was recruited to help inform the Ch’ortí of the details of the project. The Ch’ortí soon expressed a positive view of the project and recognised that the road project would bring them significant benefits. This led to the preparation of the Indigenous People Development Plan, setting out mitigation and benefit-sharing measures. These included the upgrading of 56 km of rural roads, so that the Ch’ortí communities have improved access through the main road network to public services and economic centres. A large number of Ch’ortí were hired to work on the roads at a good salary, raising the average household income, and thus increasing the quality of life. The government also agreed to provide agricultural support through advice and provision of seeds. The plan included the organisation of workshops to advise and help Ch’ortí artisan women on their business activities and facilitate access to markets. These changes were reflected in an increase in children’s attendance at schools, thanks to improved household economies. In addition, improved year-round accessibility facilitated the commute to school. A Resettlement Action Plan, in consultation with all the affected people, set out a \$4.1 million programme to finance the resettlement of families and cash compensation. It also provided for the accompanying measures to support the most vulnerable affected people.

Stakeholder engagement goes beyond transparency obligations. It includes civil society and the wider stakeholder community, allowing them to analyse the projects, the governance and decision-making processes. It increases trust that development is for everybody.

*Ana Dilaverakis works in the strategic roads division of the European Investment Bank.*

# PROSPERITY TO THE CITY

**Across the globe, people are moving to cities faster than ever before, seeking jobs, better healthcare, education and clean water. Here's how cities can manage these major movements**

By Jean-Philippe Stijns and David Morgant

**A** little more than half of the world lives in an urban area today. By 2050, this could reach 70%. African cities will grow the most. The continent's urban population is expected to rise from around 470 million today to more than 820 million this decade. Africa has 1.3 billion people, and 40% are under the age of 16. By 2030, 29 million young people in Africa will reach working age. This will create an even higher demand for jobs, housing and public works projects. This problem is especially acute in secondary cities with fewer than 500 000 people, where most of the urban growth is occurring.

Unplanned urbanisation in Africa has been holding back social and economic progress for many years. If done correctly, urbanisation can accelerate growth, make cities more innovative and diversify economies, but this takes time and good planning. If things do not change quickly, many African slum populations could triple by 2050.

We must work harder and plan more to bring good jobs, affordable housing, better public transport and modern sanitation systems to many African cities. We need to build or replace two-thirds of the infrastructure in Africa over the next 30 years. The shortfall in money required to pay for these projects in Africa ranges from \$68 billion to \$108 billion a year.

Poorly planned growth is hurting Africa in many ways. Cities are gobbling up more land as newcomers arrive, but population density is staying the same. This leads to urban sprawl and slums. Infrastructure such as transport, water and sanitation is not adequate to handle the rising population. The private sector is not investing enough money in many cities because there is a shortage of projects that are financially sound. City and corporate leaders sometimes lack the knowledge or the technical equipment to manage big infrastructure projects.

## **Cities must address congestion**

African cities first need to address congestion and urban sprawl. When an urban population spreads out, it is harder to provide clean water and sanitation. It is harder to get to schools and doctors if roads are bad. It is harder to commute and find better jobs.

We are working directly in more than 20 African countries to improve transport, expand renewable energy, increase access to clean water and sanitation, and provide loans to entrepreneurs and small landowners. We also are improving education and trying to offer more chances to youth and women. We are following the UN Sustainable Development Goals, which aim to eliminate poverty and create sustainable cities.

We have helped build affordable homes in Namibia, helped microfinance companies in Burkina Faso provide loans to women entrepreneurs, and improved mobile connections in many regions. With a

**// We are working directly in more than 20 African countries to improve transport, expand renewable energy, increase access to clean water and sanitation, and provide loans to entrepreneurs and small landowners. //**

mobile phone and a good internet connection, a new resident in the capital of Burkina Faso can open a bank account, get a loan, pay bills and receive a salary. In Uganda, we helped refugees get loans and create a business. In Dakar, we financed a high-quality bus system. In Senegal, we supported healthcare centres for women and children.

#### **A lack of money for good projects**

We must encourage public authorities, nongovernmental organisations, development agencies and the private sector to collaborate in areas such as infrastructure, public transport, electricity, and digital communications. African people have a strong ability to innovate and adopt solutions to their local situations. There is enormous potential in Africa for new ideas in renewable energy, solar power farms and wind parks.

The European Investment Bank is increasing its advisory services in Africa. We want to help project leaders understand their markets, perform environmental tests and prepare for climate risks such as flooding, drought or extreme weather. We want to help city officials or company leaders improve their skills to manage a project. We can help them adopt stricter building codes and licensing procedures to make sure construction proceeds correctly. For many decades, there has been a lack of investment in good projects. One recent attempt to fill this gap is the Global Climate City Challenge, launched in 2018 by the European Investment Bank and the Global Covenant of Mayors. The cities accepted in this programme will receive expert guidance and grants to make sure their projects receive proper financing.

#### **Supporting outside investment**

Another way to bring better jobs and create new ideas are the industrial clusters popping up across the continent. Firms relocating to the Kigali Special Economic Zone in Rwanda have reported big increases in sales and a rise in the numbers of employees. In Ethiopia's Hawassa Industrial Park, 60 000 people are employed in textile, leather making, food processing, pharmaceutical development and other fields. In Morocco, an automotive and aeronautics cluster in the port area of Tangier-Med supplies many European manufacturers. We can create more industrial parks and support innovation by promoting outside investment. More than 40 African cities attracted a total of \$583 billion in foreign direct investment from 2013 to 2016. Over the last 10 years, the European Investment Bank has invested nearly €22 billion in Africa. These investments have attracted billions in finance from the private sector. Over the next seven years, we plan to mobilise €100 billion for the continent by encouraging the public and private sectors to work together.

This is how we improve lives for everyone and ensure sustainable urban growth.

*Jean-Philippe Stijns is a senior economist and David Morgant is an urban development specialist at the European Investment Bank.*

# THE GREATER THE RISK, THE GREATER THE REWARD

**A rural farmer in sub-Saharan Africa needs only a computer, basic IT skills and an internet connection to turn a good idea into a successful startup company. Take a look into Africa's digital future**

By Benoit Denis

**D**igitalisation is the great equaliser for the workforce. In a digital society, everyone—young and old, rich and poor, men and women—has more chances to compete and succeed if digital and mobile technologies are available and easy to access. Access to entrepreneurship has never been this affordable.

The European Investment Bank can improve digital opportunities across Africa, especially for the large youth population. We should invest in education that gives youth more digital skills and put more finance into digital infrastructure that expands mobile connections and internet access. We should encourage solutions that match local needs and make more large-scale and small financing available to help people gain knowledge and enable startups to get off the ground and grow.

The entrepreneurial spirit is strong in Africa. Of Africa's working-age population, 22% are starting new businesses, the highest rate anywhere in the world. The harsh conditions on the continent have raised generations of people who take more risks to ensure they succeed. We need to give them the means to transform their ideas and creativity into successful value-creating ventures.

## **A decade of progress**

Africa is becoming more digital. Over the past ten years, the continent has had the highest growth globally in internet access, moving to 24.4% of the population with access in 2018 from 2.1% in 2005. Much progress has been made in mobile telephone subscriptions and internet access in homes that have computers. But this growth still leaves many people behind, without mobile connections.

The "mobile economy" accounted for 6.7% of overall gross domestic product in Africa in 2016, representing \$153 billion. This was expected to reach 7.6% (\$214 billion) of overall African GDP in 2020. Technology-related productivity gains in crucial sectors (financial services, education, health, retail, agriculture, and government) in Africa are predicted to be worth between \$148 billion and \$318 billion by 2025. With the right support, these areas can grow exponentially and help all African economies.

Digital infrastructure is still limited in many parts of the continent, so it is important to increase finance and technical advice in this area. Digital technologies help many parts of the marketplace. When fishermen and farmers can connect to the internet or reach each other using digital technology, they can instantly know which port or market is the best location to sell their goods. This is a big time-saver for them and means they can avoid the trouble of travelling long distances

## **“ Investments that support new digital businesses, infrastructure and services bring many unexpected benefits. ”**

on poor roads. Offering people mobile banking on a smartphone or computer dramatically increases their ability to make a living, especially when a bank branch may be hundreds of kilometres away.

In Europe, we have been helping connect people across the continent for a long time. The EIB has been financing telecommunications projects since the early 1970s. Nearly 20 years ago, we recognised that telecom networks encourage innovation in Europe. We are now applying the same vision for Africa. We need to set new goals for more affordable digital connectivity in Africa. This means investment to expand networks and offer more technical assistance to create financially feasible projects. We also need more digital services such as mobile banking, commerce platforms and online government services to help a digital economy sprout and grow. More support for startups will drive a lot of this change.

A good example of these digital services is our support for the French company Famoco, which makes a secure mobile payment technology that allows people to perform digital transactions efficiently and safely. The company, which received a €20 million loan from the European Investment Bank, is working in Africa and dozens of other places around the world. Social safety net programmes help vulnerable people in Africa fight poverty, food insecurity, exclusion and inequality. However, when these programmes use cash transfers or coupon distributions with paper vouchers, this can lead to fraud and theft. When people use a Famoco device connected to a near-field communication card, this allows better traceability of transactions and fewer risks. The company works with nongovernmental organisations to apply this principle and improve food distribution and humanitarian aid.

### **Benefits for all parts of society**

Investments that support new digital businesses, infrastructure and services bring many unexpected benefits. Digitalisation can increase energy efficiency by providing real-time information about demand and supply. It can help the environment, when travel is reduced or replaced with online communications. Digitalisation allows for smarter agriculture when farmers use digital sensors that predict when pesticides are unnecessary. It improves healthcare by enabling online prescriptions or mobile consultations with doctors. Online classes improve education. Interactions are improved between citizens and governments. Digital technology helps integrate African society. Universal access to affordable mobile and internet services lets the best solutions emerge regardless of borders. Digitalisation also improves gender equality. Take our ShelInvest initiative. Launched in 2019, it is now on its way to mobilising €2 billion of investment to help women across Africa get more loans and services to join the economy.

The European Investment Bank is committed to the digital economy, with a global portfolio that exceeds €15 billion. We will keep increasing our support for this sector, working with more partners, more cities, more communities. The benefits of this collaboration help everyone everywhere in the world.

*Benoit Denis is a senior economist on digital infrastructure at the European Investment Bank.*



# EQUITY FOR INNOVATIVE BUSINESS MODELS IN AFRICA

**Private equity and venture capital is an evolving asset class in developing countries—and it is growing quickly in Africa. As a complement to traditional financing, it supports ingenious companies that improve lives**

**K**omaza aims to address Africa's shortage of wood by enabling smallholders to grow trees. Twiga Foods uses technology to link food producers with wholesalers and suppliers. Poa Internet provides ultra-low cost WiFi to disadvantaged communities in Kenya. And Andela helps skilled coders train and get good jobs with companies around the world, working remotely. But what links this sustainable forestry company, food distribution platform and wireless internet provider with a pan-African initiative to train the next generation of computer programmers? The answer is that all of these bright, bankable, scalable ideas received financing from venture capital funds that are supported by the European Investment Bank.

There are game-changing, impact-driven business ideas that are not covered by traditional financing options and for which it remains challenging to get the funding they need in Africa. A lack of appetite for risk in the commercial banking sector is holding the continent back, especially for fast-growing companies or innovative business models. There is also a lack of local capacity in the financial sector, especially for equity support. This is where private equity and venture capital funds come in. By investing in equity funds, the EIB is able to help fund managers across different countries and segments achieve their target size and unlock the funding required by the companies in which they invest. (Novastar Venture's East Africa Fund invested in Poa Internet and Komaza. Andela and Twiga are backed by the Tide Africa Fund, managed by TCom, and supported through Boost Africa, the EIB's private equity initiative jointly created with the African Development Bank and supported by the European Union). The companies feel the impact of the investment quickly. Komaza has become a leading employer in rural Kenya.

Africa's digitalisation is crucial. Several new venture capital funds have emerged in this sector in recent years. The EIB has been a pioneer and one of the first investors to support this new asset class with investments in funds such as the Tide Africa Fund, the East Africa Fund and Partech Africa.

There are countless people across Africa who have great ideas for innovative, sustainable businesses. Since we started supporting private equity funds outside the European Union over 25 years ago, we have committed over €900 million to more than 60 private equity funds in sub-Saharan Africa. These funds have provided equity support to more than 900 companies on the continent.

For developing countries, this sector is vital in helping finance the job creators of the future.



# OPPORTUNITY FOR THE VULNERABLE

## Small loans from local banks make a difference to farmers in Africa

By Hannah Siedek and Enrico Pini

**T**here are about 450 million African smallholder farmers. Microfinance and mobile banking can help this population a lot. When rural farmers can get a loan easily and receive good financial advice, life is much easier. Small business owners can get money they would not receive from regular banks. Microfinance helps people save for emergencies or develop businesses. It can be the starting point for better agriculture, because Africans can plant better crops, have a better home and earn more money to repay small loans.

Mobile phones are common in African rural areas, much more so than bank branches. In regions where agriculture represents the main activity, mobile banking (also called mobile money) is a great solution that can improve this part of the economy. Unfortunately, many farmers fear that it is difficult to have an online bank account or to bank on a mobile phone. That's where microfinance and loan officers can explain the financial terms and show how easy it is to use this type of banking.

Since smallholders usually do not keep formal records of their harvests and finances, it is difficult for loan officers to receive detailed documentation and decide who is qualified for a loan. The microfinance loan officer needs to understand the farm and the business well and trust the farmer's ability to earn a profit. Another challenge for microfinance officers comes from the lack of collateral. A couch, a television set, kitchen furniture, cattle, or even wood can be a guarantee for a loan. In certain areas, where the main valuable item is livestock, the lack of proper collateral is a big obstacle to getting a loan.

PRIDE Microfinance, a lender based in Kampala and licensed by the Bank of Uganda, gets around the collateral problem by offering training and advice. PRIDE has been active in microfinance since 1995 and has given millions of euros in loans to thousands of people all over Uganda. It offers mobile banking, microloans and training to ensure that entrepreneurs can run a business correctly, as well as buy seeds, pesticides, fertilisers and other farm products. Its loan officers educate farmers in green and efficient practices and even lend them money to pay school fees for their children. PRIDE works with the Uganda Coffee Development Authority to promote group loans in the important coffee sector. In 2019, the European Investment Bank gave PRIDE a €5 million loan to improve its microfinance programme. Over the last ten years, our microfinance facilities have offered €300 million to more than 1.5 million beneficiaries, including micro-entrepreneurs, small businesses and smallholder farmers.

*Hannah Siedek and Enrico Pini are loan officers who specialise in microfinance at the European Investment Bank.*

# A GUARANTEE FOR STRAWBERRIES

**Georgian agro-entrepreneurs prepare for the harvest. With a little help from the European Union**

**F**ive years ago, Levan Shanava and Tornike Mzhavanadze founded Green Republic, an agribusiness with plantations in Toki, a remote and ancient village inhabited by just ten families. The region is plagued by unemployment, but the two of them are determined to bring life back to Toki—by cultivating strawberries. Green Republic is the only large-scale strawberry producer in the high mountainous area. With four permanent staff, it takes on more than 30 seasonal employees and aims to create additional jobs in the future. The business has sparked interest from the agro-tourism sector and may also expand further in 2021 to export its products. Apart from strawberries, Green Republic sells seasonal wild asparagus with a bio-certificate. It produces vegetables by traditional and organic farming. Its organic products are inspected according to European standards by a Georgian accreditation agency.

To get started, the company took a loan from TBC Bank, one of Georgia's leading banks. Small and medium-sized enterprises are often considered risky by banks, because they may lack a track record or collateral. But a guarantee instrument operated by the European Investment Fund, the EIB Group's specialist small business subsidiary, acts as collateral for the local bank, offsetting the risk. "Sharing the risk means transferring the benefit to the customer through lower interest rates," says Maia Kacharava, financial manager at TBC Bank. "It improves lending processes and enables us to increase our portfolio with interesting projects that might otherwise be refused."

The guarantee is one of three segments of the Deep and Comprehensive Free Trade Area Initiative East that aims to encourage economic growth in partner countries like Georgia. "The DCFTA guarantee is strong, covering 70% of losses," says Martins Jansons, head of the Competence Centre for Regional Development at the European Investment Fund. "It is a great achievement for the Georgian market and for us, as we feel it is important to support the countries on the European Union's borders."

The European Investment Fund manages the InnovFin SME Guarantee Facility, too, with TBC Bank among the beneficiary banks. This guarantee provides flexible financing conditions for small and medium-sized businesses and mid-caps specialising in research and innovation.

TBC Bank has also signed loans with the European Investment Bank worth €81 million since 2018. That includes the latest top-up—€25 million signed in December 2020—under the European Union's Team Europe and EU4Business initiatives, as part of the emergency SME response to COVID-19. Funding for these loans and guarantees comes from the European Commission under the EU External Lending Mandate, a framework agreement covering most of the EIB Group's operations in Georgia.

# SOWING OPPORTUNITIES

**Moldova's agriculture is almost exclusively made up of small and medium-sized businesses. Our project has helped them compete at home and diversify their exports**

**T**wo Moldovan companies, Sandunelu and Europlant, saw the opportunity to expand the vegetable market, but they needed financing. The capital expand production and buying equipment for bulk washing, sorting, packing, labelling and storing vegetables is beyond the reach of small businesses that lack collateral for a loan. As small agricultural growers, they benefited from the Fruit Garden of Moldova programme, which finances companies through intermediary banks. EIB financing enabled them to boost their business—and helped them ride out the COVID-19 crisis.

2020 was a difficult year for producers in Moldova, as they suffered a drought as well as the pandemic. In a normal year, there are 552 mm of precipitation, but there were only 218 mm between September 2019 and August 2020. COVID-19 meant that it was harder for farmers to get their produce to market while it was fresh and there were restrictions on exports. “The COVID-19 pandemic has had a significant negative impact on the agriculture and horticulture sector in Moldova,” says Sebastien Collot, an engineer in the EIB’s agribusiness division. “Beneficiaries of the Garden of Moldova programme experienced fewer delays and had new opportunities with product diversification.”

With their processing facilities modernised, Sandunelu and Europlant could weather the COVID-19 pandemic. As street markets closed across Moldova, customers showed a preference for packed vegetables. Sales at both companies increased during the pandemic, because they could meet demand with advanced technology for sorting and packing, as well as enough storage capacity for vegetables. Workers could also distance safely from each other.

Thanks to the EIB’s technical assistance, the project’s business advisors have been leading farmers and other participants in the horticulture value chain through the entire loan application process. The Fruit Garden of Moldova project has generated new levels of investment in food and agriculture by small businesses. The amount of produce sold to the European Union this year has grown enormously, despite the pandemic and drought.

Sandunelu, which grows carrots, onions and beetroot, received €492 000 from Mobiasbanca, backed by the European Investment Bank. It also benefited from business advisory support that helped prepare the paperwork for the loan. Onion and potato grower Europlant got €720 000 from the EIB through ProCredit Bank to construct a warehouse near Chisinau, Moldova’s capital, and benefited from a credit guarantee for 50% of its loan at no extra cost to the borrower.

The Fruit Garden of Moldova programme focuses on horticulture to improve the quality of fresh and processed produce from the fields to delivery. It’s part of the European Union’s support for Moldova and aims to boost trade and economic growth, including agriculture and rural development.

# IMPACT IN DETAIL

The European Investment Bank supports projects around the globe that make a real difference to people's lives. Our support also makes a real difference to the success of the projects themselves. That's why we rigorously assess their results throughout the project cycle. It's also why we look at what we bring to each project in terms of financial benefits, catalytic effect and technical support.

To get as full a picture as possible, we use a combination of three approaches to examine our impact. For each project, we track the results and our contribution. For selected projects and instruments, we also carry out in-depth studies to obtain a more detailed understanding of the impact. And we use macroeconomic modelling to gain insight into the broader economic impact of our lending.

## **THIS SECTION DETAILS THE EIB'S CONTRIBUTION, AND THE RESULTS AND IMPACT OF OUR PROJECTS, OUTLINING:**

55	OUR APPROACH TO EXAMINING RESULTS AND IMPACT
57	EXPECTED RESULTS OF NEW PROJECTS
60	THE EIB'S CONTRIBUTION TO NEW PROJECTS
62	CARBON FOOTPRINT EXERCISE
63	MACROECONOMIC IMPACT MODELLING
64	RESULTS OF COMPLETED PROJECTS
67	IN-DEPTH IMPACT STUDIES
69	LENDING VOLUMES

# OUR APPROACH TO EXAMINING RESULTS AND IMPACT

**A** careful assessment of our impact and contribution is vital. It helps us focus on high-impact projects, where the EIB can make a big difference and which are aligned with EU policies and the investment needs and priorities identified for each country. It enables us to improve our effectiveness further by fine-tuning our support. It is also a way of ensuring accountability to all our stakeholders on the positive benefits that we achieve around the world.

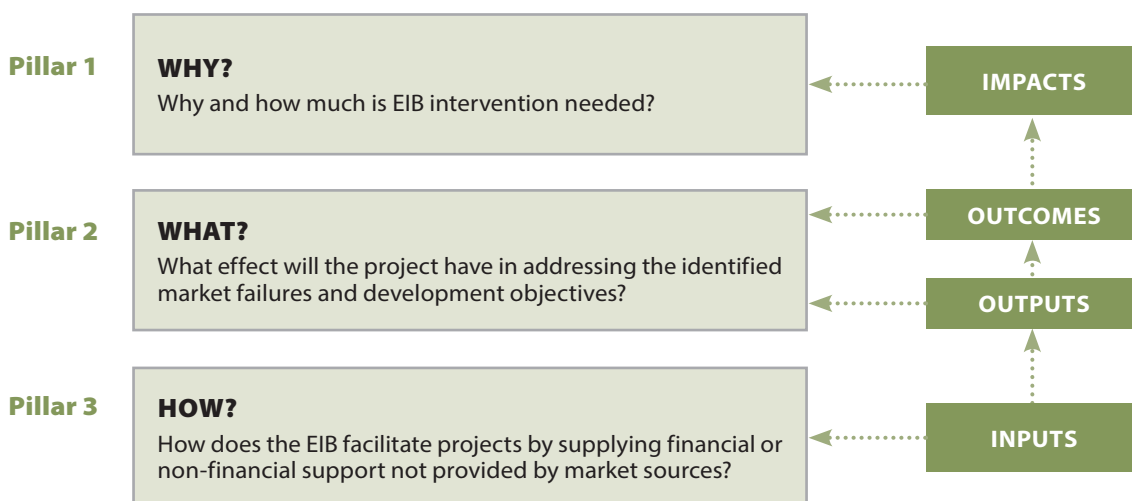
As a core function that we perform as a development finance institution, this assessment and tracking of results is integrated within the Bank's overall project appraisal and follow-up process, through our Additionality and Impact Measurement (AIM) framework. At the same time, we go further, conducting in-depth studies to investigate our impact to a degree that is impossible for every individual project. We also use macroeconomic modelling to get a sense of the broad indirect impact of our operations on jobs and growth across the economies where we work.

## Tracking results through the project cycle: the AIM framework

In 2020, we began implementing the AIM framework, which harmonises the Bank's Results Measurement (ReM) and Three Pillar Assessment (3PA) frameworks used for projects outside and inside the European Union, while leaving room for project appraisal and monitoring to be tailored to the particular needs arising from different development contexts.

AIM provides a comprehensive framework for assessing each EIB project in terms of its results and additionality (how it addresses market failures), in line with international best practices. It follows an established three-pillar logic that asks why intervention by the EIB is needed, what will be achieved, and how the EIB will make a difference. These three pillars are conceptually linked to the different elements of the results chain:

## The AIM framework and the results chain



The framework plays a key role in ensuring development effectiveness and managing for results (steering, designing, implementing, reporting and learning). As part of the due diligence process, all three pillars are rated to assess the value added by the operation. These ratings then form a key part of the deliberation process. The project results indicators identified at the appraisal stage form the basis of monitoring throughout the project cycle. When appraising a project, the EIB estimates the results it will achieve. These indicators are then followed up to see what is delivered on completion. The lessons learned from monitoring the results feed back into project implementation. Independent evaluations also provide lessons for future projects and processes.

The AIM framework is geared towards alignment with EU policy in the countries and regions where the Bank operates, as well as with the Sustainable Development Goals. The framework is flexible so that new indicators can be added when new needs emerge in the future.

### Going further to investigate impact

While AIM forms the foundation of our overall approach to assessing impact, our evaluators and research teams also go further in investigating the ultimate impacts of the projects we support.

In-depth **impact studies** look at what our projects achieve in much greater detail, going beyond what is feasible within the regular results assessment process. In these studies, we use a variety of methods to dig deeper into the impact of particular projects or types of product offered by the EIB Group.

Through **macroeconomic modelling**, we investigate the effects of our lending on jobs and gross domestic product across whole economies to gauge how big these impacts are likely to be. It helps us to make sure, once again, that we have fully understood how individual projects will ultimately impact people's lives.

# EXPECTED RESULTS OF NEW PROJECTS

In 2020, the European Investment Bank signed contracts for 99 new projects outside the European Union, the United Kingdom and the European Free Trade Association. Total approved lending for these new projects (excluding contracts signed under older projects) was €10.52 billion. This section summarises the aggregate outputs and outcomes we expect from these new projects.

## Expected results of new infrastructure projects

		Expected outputs		Expected outcomes	
<b>Energy – 11 projects, €506m</b>					
Venture capital	Generation capacity (100% renewables)	245 MW	Electricity production (GWh/year)	647	
	New/upgraded power lines	13 600 km	Households potentially served by electricity produced	1 070 000	
	Capacity of new or upgraded electricity sub-stations (MVA)	593	Additional households connected to the electricity network	336 000	
	Annual savings from energy efficiency measures	GWh			
<b>Transport – 8 projects, €2 634m</b>					
Urban	New or upgraded tram and metro lines	32.4 km	Additional urban transport passengers, per year	116 000 000	
	New or upgraded stations or stops (urban)	30	Reduced urban journey times (hours/year)	37 500 000	
	New rolling stock or vehicles (urban)	378			
Roads	Road lanes built or upgraded	120 km	Additional beneficiaries (vehicles), per day	3 910	
			Reduced road journey times (hours/year)	4 060 000	
			Vehicle operating cost savings, per year	€16.2m	
			Road fatalities saved, per year	5	
<b>Water and sanitation – 15 projects, €963m</b>					
Water supply	New/upgraded domestic water connections	60 100	Population benefiting from improved water supply	6 200 000	
	New/upgraded water mains/pipes	1 030 km	Population with reduced exposure to drought risk	5 380 000	
	New/upgraded water treatment capacity, (m <sup>3</sup> /day)	1 140 000			
Sanitation	New/upgraded wastewater treatment capacity (person-equivalent)	546 000	Population benefiting from improved sanitation services	201 000	
	New/upgraded domestic sanitation connections	8 600	Wastewater treated to acceptable standards (person-equivalent)	214 000	
	New/upgraded sewer/storm pipes	184 km			
Flood mitigation	Number of flood prevention and protection structures	43	Area served by flood prevention infrastructure	51 300 ha	
			Persons facing reduced risk of flooding	843 000	

Expected outputs		Expected outcomes	
<b>Urban development and housing – 3 projects, €574m</b>			
Length of urban streets and associated infrastructure built or upgraded	104 km	People benefiting from new affordable housing	13 600
New or renovated social or affordable housing units	4 140	Annual savings from energy efficiency measures	257 GWh
Number of public buildings renovated	1 000		
<b>Telecommunications – 2 projects, €275m</b>			
Telecommunication cables installed	600 km		
Capacity installed (GB/sec.)	6 000		
<b>Agriculture and forests – 2 projects, €380m</b>			
Agricultural land under improved management	51 000 ha	Increase in rice production per hectare	46%
Additional area covered by irrigation networks	26 500 ha	Water savings due to modernisation of irrigation systems (m <sup>3</sup> /year)	213 000 000
		Number of farmers benefiting from scheme	45 000
New forest planted	141 000 ha	Forest/biomass growth (m <sup>3</sup> /ha/year)	2.2
<b>Education – 2 projects, €120m</b>			
Teachers receiving training in digital skills	50 000		
Schools with improved internet facilities	1 800		
Tertiary education: places created	1 000		
<b>Health – 7 projects, €778m</b>			
New or rehabilitated health facilities	58	COVID-19 patients treated	55 700
Equipment and information and communications technology supplied to health facilities	€19.8m	People vaccinated	280 000 000

Direct employment effect of infrastructure projects	Employment during construction (person-years)	Employment during operation (full-time equivalent)
Agriculture, forestry	85 940	4 240
Education	3 100	549
Energy	5 898	477
Health	400	150
Telecommunications	21 455	540
Transport	115 892	1 175
Urban development	40 600	0
Water and sanitation	75 164	601
<b>Total</b>	<b>348 449</b>	<b>7 732</b>



## Expected results of new private sector development projects

Credit lines for SMEs and mid-caps – 34 projects, €3 888m			
	SMEs	Mid-caps*	All
Total loans (€m)	2 926	854	3 780
Total loans (#)	227 797	296	228 093
Average loan size (€)	12 843	2 886 370	16 572
Average loan tenor (years)	6.4	7.4	6.6
Jobs sustained in beneficiary firms	800 390	98 217	898 607

\* Includes 10 loans to other beneficiaries such as public utilities or large companies.

	Expected outputs		Expected outcomes	
<b>Credit lines for microfinance – 8 projects, €246m</b>				
Total loans (€m)	1 263	Jobs sustained in beneficiary firms		1 088 420
Total loans (#)	2 519 127	Jobs sustained held by women		697 310
Average loan size (€)	501	Jobs sustained held by youth		49 533
Women as % of final beneficiaries	59			
<b>Microfinance investment vehicles – 2 projects, €13.8m</b>				
Total MIV fund size (€m)	184	Loans to final beneficiaries by microfinance institutions supported (#)		67 189
Average leverage ratio	9.5	Women as % of final beneficiaries		76
Microfinance institutions supported	77			
<b>Equity funds – 6 projects, €130m</b>				
Total fund size (€m)	784	Jobs supported in investee companies		10 249
Investee companies (#)	92	Net jobs created in investee companies		7 468
Average investment (€ m)	8.5			

Not included in the above tables are five projects that finance the membership contributions of various African countries to the capital of African Trade Insurance (ATI). Membership will enable these countries to benefit from ATI's guarantee mechanisms and support the development of various industries through investment and trade insurance products. Two projects in the above tables contribute to more than one sector.

# THE EIB'S CONTRIBUTION TO NEW PROJECTS

**T**he EIB finances sound projects. It also provides a package of support that includes advantageous financing conditions, technical advice and help in attracting further finance. This is what we mean by the “EIB’s contribution” and it goes far beyond the financing that project promoters could otherwise have obtained in local markets.

The ability of the EIB to make such a meaningful contribution beyond the European Union rests not just on its strength as a top-rated international lender. It is also due to EU guarantees as well as the mechanism for blending loans with grants from the European Union and Member States. These tools enable the EIB to lend to a greater number of high-impact projects and mobilise additional technical assistance to ensure their success and lasting benefits.

During project appraisal, we rate “financial contribution,” “financial facilitation” and “advice”.<sup>15</sup> These components are then used to calculate an overall rating. For 82 of 99 new projects in 2020, the overall EIB contribution was rated “significant” or “high.” A further breakdown of average EIB contribution ratings and indicators by instrument type is given in the table below.

## **Financial contribution: Responding to financing needs**

“Financial contribution” includes providing finance in a local currency, blending loans with grants and issuing loans with a long maturity compared to the life of the assets or the maturities available on local markets. While the ability of the EIB to provide financing in local currency was rated as the most significant advantage for microfinance in 2019, the Bank’s contribution more generally was rated “high” across all instrument types. This rating reflected the extent to which the loan maturities exceeded what was available in local markets, and the EIB’s ability to provide maturities that matched the economic life of projects.

## **Financial facilitation: The EIB’s catalytic effect**

The EIB is able to foster higher standards or support promoters in adopting more innovative financing models, thereby helping to attract other sources of finance for worthwhile projects. For COVID-19 Vaccine Volume Allocation (COVAX), for instance, the Bank structured a facility at the European Commission’s request as part of the Team Europe effort to tackle COVID-19. To support the flow of public grants to COVAX, the Bank contributed its experience to devise a first-of-its-kind financing instrument that monetises the guarantee offered by the European Commission.

The EIB helps raise the bar by requiring EU standards to be met in areas such as procurement, social impacts and environmental protection, often providing technical support to help achieve this goal. The Urban Transport Infrastructure framework loan, for instance, will facilitate a programme of improvements to the tram and metro systems in the Egyptian cities of Alexandria and Cairo. The EIB is the lead financier and technical assistance provider, with the European Bank for Reconstruction and Development and Agence Française de Développement providing co-financing. The programme is designed to provide much-needed flexibility for the promoter, while creating an

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<sup>15</sup> From 2021, under the new AIM framework, these ratings will be reported under “Financial contribution” and “Non-financial contribution”.

opportunity for dialogue within the sector. The involvement of the EIB and the other international financial institutions will help ensure that high environmental, social, governance and procurement standards are met.

### Advice: Providing technical assistance and support

Advice provided by the EIB can often help promoters improve technical aspects of project design, effectively structure projects and financing instruments, or enhance the long-term value and effectiveness of their investments. In Ukraine, for example, the EIB worked for two years to help prepare the Public Buildings Energy Efficiency programme. Alongside a grant for technical assistance, the project benefits from EIB expertise in the energy efficiency sector and an EIB engineer's support in project implementation. The Connected Schools project in Serbia will improve digital connections, Wi-Fi networks and classroom IT equipment in schools. The technical assistance package will provide training to 50 000 teachers for teaching digital skills, as well as ensuring effective project implementation.

### The EIB's technical and financial contribution to projects – average values for different instrument types

		Direct and framework loans	Credit lines for SMEs and mid-caps	Credit lines for microfinance	Equity funds
	Number of projects	45	36	7	10
	<b>EIB contribution – overall rating</b>	3.1	2.7	3.4	3.4
<b>Financial contribution</b>	<b>Overall rating</b>	3.4	3.1	3.4	3.5
	Subsidy (%)	3.6	3.6	0.0	0.0
	Subsidy (rating)	2.4	1.5	1.0	1.0
	Local currency (rating)	1.3	1.7	3.1	2.8
	Extension of loan maturity (%)	146	133	155	108
	Extension of loan maturity (rating)	3.5	3.5	3.3	3.8
	Match with economic life (%)	93	98	100	93
	Match with economic life (rating)	3.8	3.9	4.0	3.7
<b>Financial facilitation</b>	<b>Overall rating</b>	2.5	2.3	2.7	3.4
	Innovative financing	1.6	1.8	2.4	3.0
	Attracting private sector financiers	1.8	2.3	2.1	3.3
	Working with public-sector partners	2.5	n/a	2.0	3.1
	Raising standards	3.4	2.6	2.7	3.1
<b>Advice</b>	<b>Overall rating</b>	2.8	2.0	3.0	2.6
	Financial advice and structuring	2.4	1.6	1.0	2.8
	Technical contribution and advice	2.9	2.2	4.0	1.8

Note: EIB contribution ratings for individual projects: 4 = high; 3 = significant; 2 = moderate; 1 = low. The table shows simple average ratings or percentages across projects. "Equity funds" includes three microfinance investment vehicles. A grant-only infrastructure project (Ruzizi III Regional Hydropower & Transmission PPP) is not included.

# CARBON FOOTPRINT EXERCISE

**T**he EIB carbon footprint exercise estimates and reports greenhouse gas emissions from projects (not only climate action projects) when either or both of the following thresholds are exceeded:

- **absolute emissions** (actual emissions from the project) exceed 20 000 t CO<sub>2</sub>-eq/year;
- **relative emissions** (estimated emissions increases or abatement compared to the expected alternative) exceed 20 000 t CO<sub>2</sub>-eq/year.

Absolute emissions refer to the direct emissions of the project itself (Scope 1 emissions) plus emissions from the generation of the power supply used by the project (Scope 2 emissions). Scope 3 emissions (other indirect emissions) are not normally included in project data, except for physical infrastructure links such as roads, railways and metros. Relative emissions are estimated by comparing the absolute emissions with those produced by the status quo.

While relative emissions are important for comparing technologies and projects, the absolute emissions from each project lie at the heart of the EIB's footprint approach, as these are what will ultimately affect our climate impact. Individual project-level greenhouse gas data are assessed at the project appraisal stage and reported on the Bank's Environmental and Social Data sheets. For the purposes of aggregated annual reporting, project emissions are calculated proportionally to the volume of EIB financing for each project that year, to avoid possible double-counting with the data reported by other international financial institutions.

The 2020 exercise included 17 projects beyond the European Union (including contracts signed and large allocations approved during the year), representing €2.1 billion of EIB lending. The exercise estimates the greenhouse gas emissions from financing these investment projects as 0.3 Mt CO<sub>2</sub>-eq/year, and carbon sequestration from forestry projects as -0.3 Mt CO<sub>2</sub>-eq/year. Estimated savings from financing these investment projects are -0.5 Mt CO<sub>2</sub>-eq/year.

The carbon footprint exercise was rolled out to more projects from the beginning of 2019, thanks to the revision of assessment thresholds as our climate strategy implementation. The change is described in EIB Project Carbon Footprint Methodologies, published in December 2018.<sup>16</sup>

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<sup>16</sup> [https://www.eib.org/attachments/strategies/eib\\_project\\_carbon\\_footprint\\_methodologies\\_en.pdf](https://www.eib.org/attachments/strategies/eib_project_carbon_footprint_methodologies_en.pdf)

# MACROECONOMIC IMPACT MODELLING

**E**conomic modelling is an important addition to our standard system of measuring outputs and outcomes that we use for each project. It can provide a sense of the scale of the wider, indirect macroeconomic effects of the investments we support.

For example, a project to construct a metro line will have direct effects in terms of the transport services provided and the number of people employed to build it. However, it will also have a number of indirect effects that are hard to trace and measure at the project level. These include:

- Indirect effects on employment along the supply chain, for example with increased demand for products such as concrete and steel used in construction, or for the manufacture of metro carriages. Supplying this demand supports additional employment.
- Induced further demand and employment through increased incomes. Both direct employment in project implementation and indirectly supported employment along the supply chain give workers more income to spend, which has a knock-on effect on demand and employment.
- Indirect effects on productivity and competitiveness. Reduced congestion and travel times may improve efficiency in a range of sectors, with further economic impacts.

There are various ways of modelling indirect economic impacts. However, for many developing countries, data availability is a severe constraint, which is why the EIB only uses the RHOMOLO-EIB model (developed with the Joint Research Centre of the European Commission) for operations inside the European Union. For operations beyond the European Union, the EIB is contributing to ongoing work to build and improve macroeconomic models appropriate for the contexts in developing countries. In our view, the best suited model currently available is the Joint Impact Model.<sup>17</sup>

We have used the Joint Impact Model to investigate the possible indirect impact on employment arising from EIB-supported investments outside the European Union. The model estimates that EIB-supported investments beyond the European Union in 2020 will support some 590 000 indirect jobs along the supply chain (such as supplying the materials and equipment used in the project). The model estimates that a further 380 000 jobs are likely to be induced by the extra income generated throughout the supply chain. Currently, the only structural effect that the model considers is the impact of increased electricity supply, which is estimated to support another 6 000 jobs.

As the product of a modelling exercise, these results should be treated with a degree of caution. They reflect the EIB's overall portfolio of projects; results for individual countries and sectors could vary considerably.

## Indirect employment impact of 2020 lending: Joint Impact Model results



<sup>17</sup> The Joint Impact Model was developed in a collaboration effort by Dutch consultancy firm Steward Redqueen, Proparco of France, CDC Group in the UK, African Development Bank, Belgian Investment Company for Developing countries, FinDev of Canada, and Financierings-Maatschappij voor Ontwikkelingslanden (FMO) of the Netherlands.

# RESULTS OF COMPLETED PROJECTS

**W**e examine the results of projects when they reach completion to check the accuracy of the assessment we conducted at the appraisal stage and to draw the relevant lessons for future project assessment and design. This full reassessment is applied to projects that were originally appraised from 2012 onwards.<sup>18</sup> This section provides a summary of key output and outcome indicators for such projects that reached completion in 2020.

## Credit lines for small and medium-sized enterprises and mid-caps

Some 20 financial sector operations beyond the European Union, originally appraised under the Results Measurement Framework in previous years, reached completion in 2020.<sup>19</sup> These operations consist of credit lines, comprising five in Turkey, two in Egypt, two in Rwanda and single operations in Argentina, Armenia, Democratic Republic of Congo, Federated States of Micronesia, Montenegro, North Macedonia, Paraguay, Serbia, South Africa, Tunisia and Zambia.

## Results achieved for 20 completed credit lines

Results achieved	All SMEs	Micro	Small	Medium	Mid-caps	Other	All
Total loans (€m)	1 912	390	616	905	535	4	2 450
Total loans #	5 598	2 014	2 229	1 355	273	2	5 873
Average loan size (€ '000s)	341	194	276	668	1 958	2 000	417
Average investment size (€ '000s)	580	439	455	995	3 151	8 250	702
Average loan tenor (years)	5.2	6.3	5.2	4.8	4.5	4.8	5.1
Jobs sustained	176 115	7 477	42 001	126 637	160 276	3 085	339 476

The results of credit lines for small and medium-sized enterprises (SMEs) and mid-caps can be challenging to estimate in advance because they hinge on an intermediary's success in finding clients in changing and unpredictable environments. For operations completed in 2020, the total amount disbursed to final beneficiaries was lower than the amount approved for these operations (€3.027 billion) because some volumes were cancelled after signature or not requested. One loan was provided in local currency in Turkey. The significant fall in the exchange rate of the Turkish lira during the operation meant that lending to final beneficiaries was almost 50 million lower when calculated in euro terms.

Overall, the investments supported were more capital-intensive than past experience had suggested. This resulted in a larger average loan size and fewer loans overall, although the focus nonetheless remained on micro and small SMEs. Some 95% of the loans went to SMEs, with 72% going to micro (fewer than ten employees) and small SMEs. The loan tenors (maturities) provided to final beneficiaries were slightly lower than expected. This reflects sizable lending to microenterprises in Egypt to which shorter tenors tend to be offered. Despite the lower number of loans, the jobs supported were, in fact, very similar in number to the estimate at the appraisal stage.

<sup>18</sup> The EIB's Results Measurement Framework, the predecessor to the AIM framework, was introduced in 2012.

<sup>19</sup> Operations are judged complete when they are fully allocated. In some cases, when the formal allocation period extends to the following year, cancellations or changes to the allocation data cannot be ruled out.

## Results expected for 20 completed credit lines

Results expected	All SMEs	Mid-caps	Other	All
Total loans (€m)	1 874	614	15	2 503
Total loans #	7 999	762	30	8 791
Average loan size (€ '000s)	234	806	500	285
Average investment size (€ '000s)	513	2 151	1 000	657
Average loan tenor (years)	5.4	5.6	7.0	5.5
Jobs sustained	126 017	219 040	700	345 758

## Infrastructure projects

Of the social and economic infrastructure projects outside the European Union that were appraised since 2012, 12 reached completion in 2020. These comprise ten in the energy sector, one transport project and one telecommunications project. One energy project is a large allocation (sub-project) under a framework loan and one is an equity fund investment. Because the framework loan sub-project did not have expected results recorded at appraisal, achieved results for the energy sector are shown both including and excluding that sub-project, to facilitate comparison.

## Results for infrastructure projects completed in 2020

	Expected	Achieved (for projects with expected results data)	Achieved (all)
<b>Energy (9 projects)</b>			
Electricity generation capacity from conventional energy sources (MW)	18	18	18
Electricity produced from conventional energy sources (GWh/year)	67	67	113
Electricity generation capacity from renewable energy sources (MW)	1 917	1 911	2 217
Electricity produced from renewable energy sources (GWh/year)	5 457	4 997	6 032
Households which could be supplied with the energy generated by the project	980 663	801 400	1 715 619
Average cost of electricity generated with environmental externalities (€/MWh)	98	117	113
Power lines/cables constructed for integration of renewable energy sources (km)	22	11	11
Employment during construction - temporary jobs (person-years)	7 633	13 840	32 340
Employment during operation - new permanent jobs	383	725	788
<b>Energy: GEEREF (Equity fund of funds)</b>			
Electricity generation capacity from renewable energy sources (MW)	400		1 200
Electricity produced from renewable energy sources (GWh/year)			3 448
Households which could be supplied with the energy generated by the project			1 600 000
<b>Transport (1 project)</b>			
Length of road built or upgraded (Lane x km)	142		142
Beneficiaries (vehicles per day (average annual daily traffic))	3 200		3 227
Time savings (million hours/year)	24.8		45.2
Vehicle operating cost savings (€/year)	0.5		0.8
Road fatalities saved (lives/year)	13		4
Employment during construction - temporary jobs (person-years)	15 000		19 400
Employment during operation - new permanent jobs	200		124

	Expected	Achieved (for projects with expected results data)	Achieved (all)
<b>Telecommunications (1 project)</b>			
Additional homes passed by broadband fibre-optic cable	83 400		83 562
Additional homes connected to broadband	45 333		83 676
Additional active subscribers	26 947		25 874
Fiscal revenues generated (€m)	159		42.7
Employment during construction - temporary jobs (person-years)	247		297
Employment during operation - new permanent jobs	137		55

All of the **energy** sector projects focused on electricity generation from renewables (although two solar thermal plants supported also use natural gas as a back-up power source). The results for nine of these are aggregated in the above table. Together, they are already producing enough electricity to supply 1.7 million households. Among them, one remarkable project was the reconstruction of the Mount Coffee hydropower plant in Liberia, which has significantly increased generating capacity in a country where most of the existing energy infrastructure was destroyed during the civil war. Despite some cost and time overruns due to the Ebola epidemic, it is estimated that the plant will save the country €37 million a year thanks to reduced imports of fuel oil.

The investment in the GEEREF (Global Energy Efficiency and Renewable Energy Fund) fund of funds has been treated separately, as the high level of leverage involved means that the results are hard to compare. The funds supported by GEEREF have invested in 160 projects that are already producing enough green electricity for 1.6 million households.

The single **transport** project, the El Jadida – Safi motorway in Morocco, was successful in saving around 45 million hours in travelling times per year, while generating €0.8 million in vehicle operating cost savings.

In the **telecommunications** sector, a project in Angola successfully connected 84 000 homes to broadband. It led to an additional 26 000 active subscriptions by the end of the project, despite the financial crisis in the country which has negatively affected revenues generated so far.

Altogether, these projects directly supported more than 52 000 person-years of **employment** during the construction phase and 967 full-time equivalent jobs associated with the operation of the infrastructure or facilities constructed.

Where it was possible to estimate expected results at the appraisal stage, most of these estimates were reasonably accurate. For many of the energy projects, the energy generated in the first year of operation was somewhat lower than expected, although generation capacity was as anticipated. This is common for energy projects due to the ramp-up of production at the start of operations or, in some cases, demand restrictions in the national system. This has implications for the calculated economic cost of the energy produced in the first year. Another issue emerging from the data is that initial estimates of employment created during construction were often overly conservative relative to the actual employment figures supplied by the project promoters when the projects reached completion.



# IN-DEPTH IMPACT STUDIES

Impact studies provide deeper insights into the developmental impact of selected projects and financing instruments or products. They go further than the results framework that collects data for all projects, and give us a clearer understanding of how project/instrument outputs and outcomes might further impact the final beneficiaries and, more broadly, people and the planet.

The EIB's Economics Department often collaborates with external researchers—from leading academics to research consultancies—to carry out these studies. This is the approach taken in the EIB's collaboration with the Global Development Network (GDN).<sup>20</sup> This programme trains and supports young researchers from African, Caribbean and Pacific countries in carrying out impact evaluations of selected projects in those regions. These researchers work under the supervision of expert advisors from the EIB and leading institutions including the Paris School of Economics, the World Bank and the International Initiative on Impact Evaluation. In 2020, we published studies from the second cycle of this programme.<sup>21</sup>

## Impact studies from cycle 2 of the EIB-GDN programme

The EIB-GDN programme demonstrated how impact assessment expertise can be brought in to enhance the process of appraising what the EIB and its clients have achieved. By using rigorous impact evaluation techniques, the programme has enabled private sector firms as well as the EIB to take a closer look at the social impacts of their activities, and has shown how such methodologies can be usefully applied to private sector investments. Moreover, it has shown that using local researchers significantly increases chances of studies being accepted and appreciated by stakeholders, as well as the scope for the EIB to work with local networks and organisations in the future. Even where it is hard to be certain about cause and effect, these micro impact studies provide insights into the ultimate beneficiaries of EIB support and the changes they experience.

## INVESTIGATING THE POVERTY REDUCTION IMPACT OF MICROFINANCE

In a study of Baobab, a microfinance institution serving around 22 000 female clients in rural northern Ghana, researchers interviewed 411 Baobab clients and 541 other women who had never borrowed from a formal institution. Statistical analysis suggested that Baobab is successfully reaching out to women below the poverty line and has succeeded in reducing poverty amongst its clients. The study also examined measures of economic empowerment such as women's role in decision-making in business and at home, and found improvements in how clients were able to take control of their own affairs. In focus groups, clients also suggested that access to microfinance reduced financial dependence on men and the potential for domestic conflict and violence.

<sup>20</sup> <https://www.eib.org/en/publications-research/economics/impact/eib-gdn/index.htm>  
<sup>21</sup> <https://www.eib.org/en/publications/the-impact-of-private-sector-projects-in-africa-cycle-2.htm>

## **HOW TO EXPAND THE OUTREACH OF MIDWIFE-LED CARE**

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Midwife-led care offered by NEST, a small enterprise in Senegal, is a high-quality yet affordable option for low-risk pregnancies and uncomplicated deliveries. However, negative perceptions of these services have limited their uptake. Using a randomised trial approach, researchers tested the impact of different ways of conveying information about midwife-led services, including story- and scenario-based visualisation sessions. They found that a more innovative information campaign could be successful in making women more likely to consider a midwife-led service and help expand NEST's impact among lower-income groups. The company is considering how to build on these findings.

## **EXPANDING OPPORTUNITIES FOR YOUNG ARTISANS**

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SOKO is an ethical jewellery brand working with artisans in the Nairobi neighbourhood of Kibera, one of the largest slums in sub-Saharan Africa. SOKO provides a platform that links artisans to global value chains, using new technologies and social media platforms. The study found that SOKO is providing opportunities to young artisans, many of whom have limited formal education, although women appear to have difficulty accessing opportunities in the handicraft sector. Comparative analysis suggested that SOKO has boosted livelihoods, although causation was hard to prove conclusively. The study also showed that SOKO has improved artisans' knowledge of environmental and occupational risk practices and enhanced their ability to generate revenues from other sources than SOKO.

# LENDING VOLUMES

Unless otherwise stated, lending volumes in this report are for all contracts signed in 2020 for projects outside the European Union. These include contracts signed for new projects for which the first financing contract was signed in 2020. They also include a smaller number of follow-up contracts signed under older projects that were detailed in previous reports (because earlier financing contracts for these projects were signed in previous years). This is in line with standard EIB reporting of lending volumes.

A slightly different scope is used for reporting project results in this “Impact in detail” section. To avoid double-counting, we only report the results of new projects (first financing contract signed in 2020), not of follow-up contracts whose expected results have been reported previously. In the section entitled “Expected results of new lending,” we also present the breakdown of lending volumes by sector and instrument type for new projects only. Here, we report the full EIB commitment (approved lending). This covers both the amount “signed” in 2020 and any prospective approved balance to be signed under future contracts. A breakdown of 2020 lending volumes for both new projects and older projects is given in the table below.

## 2020 aggregate lending volumes (€ millions)

	New projects (first signed in 2020)				Older projects (first signed before 2020)	Total contracts signed
	Total project cost	Funding approved	Contracts signed in 2020	Volume to be signed		
African, Caribbean and Pacific countries	7 082	2 219	2 112	107	133	2 245
Asia and Latin America	3 554	1 780	1 443	337	26	1 469
Eastern Neighbours	1 797	1 125	1 125	0	88	1 213
Pre-accession countries	1 339	862	820	42	53	873
Southern Neighbours	14 201	4 529	3 380	1 149	78	3 459
Development of social and economic infrastructure		5 698	4 812	887	229	5 040
Local private sector development		4 817	4 069	748	149	4 218
Climate change mitigation and adaptation		3 650	2 785	865	27	2 811
Regional integration		1 116	1 115	1	113	1 228
<b>Total</b>	<b>27 973</b>	<b>10 515</b>	<b>8 880</b>	<b>1 635</b>	<b>378</b>	<b>9 258</b>

Note: two projects in the Republic of South Africa are included under countries in Africa, the Caribbean and the Pacific (ACP). Central Asia is included under Asia and Latin America. Lending for a given project may support more than one objective.

# AFTERWORD

**E**verything is intertwined. With the pandemic, we face a short-term crisis, but we cannot for a moment set aside the long-term threat from climate change. And the solution to these global issues is beyond the capacity of even the most powerful country or region—we must work globally. We must, if you like, intertwine ourselves more and more. Our diplomacy, our values, our innovations and our investments must aim to resolve the problems of everyone in the world, or they will fix nothing at all.

Development work of the kind you have read about in this report contributes to the answer.

The European Investment Bank takes EU policy and imprints it on the real economy, wherever we work. Outside the European Union, we signed €10 billion in investment in 2020, half of it in Africa. We accelerated disbursement and boosted our aid to existing projects. From microfinance to big public loans, we focused on a swift response to COVID-19—without forgetting that we believe in a green recovery that reorientates economies and sets up developing countries for a sustainable, resilient future.

We made a strong commitment to Team Europe with the European Commission on COVAX, and we backed a range of other health investments. Partnerships such as Team Europe have become extremely important in providing quick and decisive action across a range of organisations and even continents. The result is greater effectiveness and impact on the ground—and lives improved and saved. Because we have all been affected by the pandemic, our projects recognise that we cannot produce vaccines only for industrialised countries. Yes, our health is also intertwined. In Africa, other diseases are often a greater threat than COVID-19, in fact. With the kENUP Foundation, we launched a project to scale up local production of drug components in Africa.

Beyond the pandemic, we see the continuing climate crisis and its impact on developing countries, such as the small island nations of the Pacific, which are so threatened by rising sea levels. Africa is the region that contributes the least to greenhouse gas emissions and yet is heavily impacted by climate change. Its growing population and economic progress calls for a rapid increase of electricity supply, with sustainable energy sources and energy efficiency measures the basis for long-term prosperity. That is why cooperation between Africa and Europe is so important. Europe is a global leader in the renewables sector, which positions European stakeholders well to cooperate with Africa in its endeavour to move from fossil fuels towards Paris Agreement goals. Our well-targeted investments can assist the green transition and contribute to social development. They strengthen the adaptive capacity of the people and regions most at risk from climate change.

We aim to do more on biodiversity and adaptation in developing countries, and to decarbonise the grid with projects that often link renewable energy to expanding digital industries, like our work with Orange in Guinea, where diesel generators for mobile phone towers are replaced by solar panels. We will continue to mobilise investment for women entrepreneurs. Our SheInvest initiative has been a great success in supporting microfinance for women and women's participation in the



**“ The European Investment Bank takes EU policy and imprints it on the real economy, wherever we work. ”**

agricultural value chain. We bring a gender lens to the kinds of projects that, in the past, failed to take women into account, such as our investments in Indian urban transport. We ensure that there are women drivers and women-only cars that allow women to travel there with a feeling of security.

We have a range of instruments from loan guarantees and direct equity to senior loans, as well as technical assistance in the preparation of projects. We also invest in funds that help small companies in Africa, and others that build innovative renewable energy projects across the developing world. In every sector, our toolbox is diverse. Because everyone is intertwined, but everyone is not the same. Our approach is nuanced enough to cope with this reality.

The climate objectives we have set for ourselves in the last year include developing countries as an integral part of what we aim to achieve. Security from climate change is like all our other objectives, from economic prosperity to better health and more inclusive societies—so long as any part of the world lacks it, the quality of all our lives is lessened. At the European Investment Bank, we are ambitious for Europe and for the entire world.

**Ambroise Fayolle and Thomas Östros**  
*Vice-Presidents for development*

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# GLOBAL SOLUTIONS, INTERNATIONAL PARTNERSHIPS

## THE EUROPEAN INVESTMENT BANK DEVELOPMENT REPORT 2021



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