



Journal
of Danubian
Studies
and Research

Financing Activity of the European Investment Bank in the Danube Region

Alina Hagiu¹, Marinela Barbulescu²

Abstract: The European Union supports the Danube Region because it has nine EU Member States (Austria, Bulgaria, Croatia, the Czech Republic, Germany, Hungary, Romania, Slovakia and Slovenia) and five non-EU countries (Bosnia-Herzegovina, Montenegro, Serbia, Moldova, Ukraine). In this sense it has developed a macro-economic strategy to strengthen cross-border cooperation in the Danube Region. The EIB is fully supporting this strategy. In this paper we aim to analyze the role and importance of the financial support given by the EIB to the countries in the Danube Region.

Keywords: financial support; performance; loans; assistance

JEL Classification: F13; F34; F53; O19

1. Introduction

European Investment Bank grants credits to mostly to countries that are members of the European Union but not only to them. It's financing targets the promoting of the European Union objectives contributing to the promotion of the economic, social and territorial cohesion of the Union.

The main areas financed by European Investment Bank are:

- climate and environment;
- development;
- innovation and skills;
- small businesses;

¹ PhD Lecturer, University of Pitesti, Romania, Address: Stradet Targu din Vale, No. 1, Pitesti, Romania, Corresponding author: alinahagiui@yahoo.com

² PhD Lecturer, University of Pitesti, Romania, Address: Stradet Targu din Vale, No. 1, Pitesti, Romania, E-mail: marinela.tanascovici@yahoo.com

- infrastructure;
- and cohesion.

In all sectors of the economy, the EIB facilitates the financing of projects that:

- follow the development of less developed regions;
- pursue the modernization or conversion of enterprises or the creation of new activities that cannot be fully financed by the means available in each member state;
- are of common interest to several member states (EIB, 2022)

EU Strategy for the Danube Region

The Danube Strategy was formally created on 13 April 2011 when the EU Council endorsed the Communication and the accompanying Action Plan on the EUSDR at the General Affairs Council (European Commission, 2022)

The area of action of the EU Strategy for the Danube Region is mainly represented by the regions along the Danube River, including parts of the mountains where its tributaries originate (Alps and Carpathians). It thus stretches from the Black Forest Mountains to the Black Sea in Romania.

It is the largest and most diverse macro-regional strategy, and its area of action includes 14 countries, of which 9 are members of the European Union, 3 are countries in the process of joining the European Union, and 2 are neighboring countries.

The EU Members states that are targeted by the EU Strategy for the Danube Region are: Austria, Bulgaria, Croatia, Czech Republic, Germany (as a federal state and through the states of Baden-Württemberg and Bavaria,), Hungary, Romania, Slovakia, Slovenia). The three countries in the process of joining the European Union are: Bosnia and Herzegovina, Montenegro and Serbia. And the two neighbouring Countries are Moldavia and Ukraine.

In fact, although closely interconnected (culturally and socially), the Danube Region is very economically and politically heterogeneous (Agh, 2016). There are very large differences in the area, as stated in the European Commission's document: "The Region encompasses the extremes of the EU in economic and social terms. From its most competitive to its poorest regions, from the most highly skilled to the least educated, and from the highest to the lowest standard of living, the differences are

striking. The Strategy reinforces Europe 2020, offering the opportunity to match the capital-rich with the labor-rich, and the technologically-advanced with the waiting markets, in particular through expanding the knowledge society and with a determined approach to inclusion. Marginalized communities (especially Roma) in particular should benefit. [...] Roma communities, 80% of whom live in the Region, suffer especially from social and economic exclusion, spatial segregation and sub-standard living conditions” (European Commission, 2010).

The transboundary management of the river basin in the Danube has always been extremely important given the number of countries and the complexity of social, political and economic conditions. The convention regarding the safety of the Danube River, which led to the establishment of the International Commission to Protect the Danube River (ICPDR), was signed in 1994. The ICPDR Sustainability 2020, 12, 8654 3 of 26 serves as a forum for the implementation in the Danube River Basin district of the EU Water Framework Directive (adopted in 2000 under the name “Directive 2000/60/EC of the European Parliament and of the Council establishing a framework for the Community action in the field of water policy”) and the EU Floods Directive (it was adopted in 2007 under the name “Directive 2007/60/EC on the assessment and management of flood risks”). As an organizational mechanism for water quality monitoring in the Danube River Basin, the ICPDR has established a transnational monitoring network and developed a range of permanent expert bodies proactively dealing with issues such as flood control risk management, surface water monitoring and evaluation, groundwater and other related topics. The network of experts has been further expanded to cooperate with other international organizations and institutions that led to an increase in the amount of data obtained over time, with a better quality and accuracy (Chiripuci, Constantin, Popescu & Scriciu, 2020).

Moreover, the European Strategy for the Danube Region (EUSDR) has also experienced a turbulent evolutionary journey since its launch in 2011. It is not possible to grasp how well integrated EUSDR has been and still is in the larger EU and its latest New Member States, needing a broader perspective (Dungaciu, 2020).

The EUSDR is therefore inseparably connected to larger globalization processes and can only be seen as a relatively short chapter in the very complex history of the European Union. The area under the EUSDR includes 115 million people (The Danube Region, 2020)

This strategy appeared at the initiative of Romania and Austria, which was intended to be a mechanism for the cooperation of the states in the Danube region, with the role of contributing to economic and social development through the consolidation of the implementation of EU policies and legislation in the partner countries.

The Danube region, one of the largest macro-region is facing several challenges (European Commission, 2022):

environmental threats (water pollution, floods, climate change)

untapped shipping potential and lack of modern road and rail transport connections

insufficient energy connections

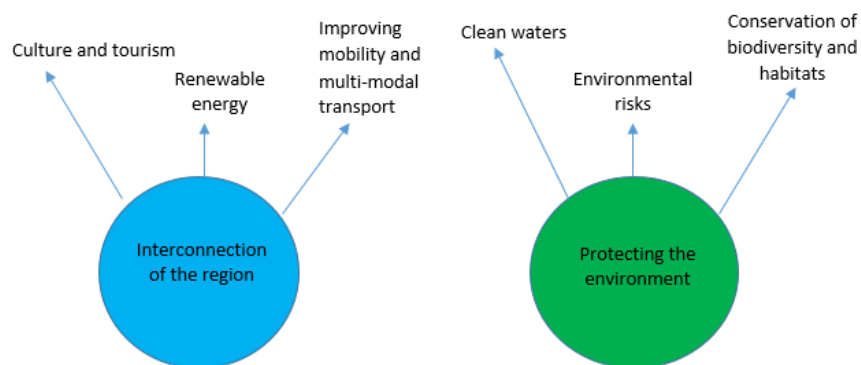
uneven socio-economic development

uncoordinated education, research and innovation systems

shortcomings in safety and security

Better coordination and cooperation between the countries and regions is needed to address these challenges.

The strategy is structured on four objectives, each corresponding to several priority areas as reflected in figure 1.



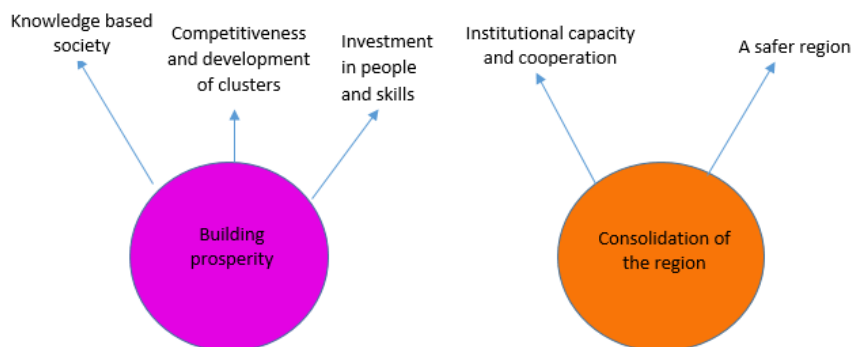


Figure 1. The objectives of the EU Strategy for the Danube Region

If we refer to Romania, our country manages three priority areas, out of the existing eleven. Each priority area is coordinated by two states/lands in the region.

Those coordinated by our country are:

Transportation on inland waters – together with Austria;

Culture and tourism - together with Bulgaria;

Environmental risk management – together with Hungary.

The projects targeted by the EU Strategy for the Danube Region can be financed through already existing European funds - Structural and Cohesion Funds, EU Solidarity Fund, Program FP7, the LIFE+ instrument, the European Agricultural Guarantee Fund and the for Rural Development, as well as through the funds placed at provision by international financial institutions (European Bank for Investments, European Bank for Reconstruction and Development), al public-private partnerships, contributions from the national budget or local budgets.

As we mentioned before in this paper we will refer to the projects financed by the European Investment Bank (EIB) in the Danube Region.

2. The Financing Activity of the European Investment Bank in the Danube Region

If we refer to the period in which the European Investment Bank started its operations in each of the Danube Region countries, this is presented in the Figure 2.

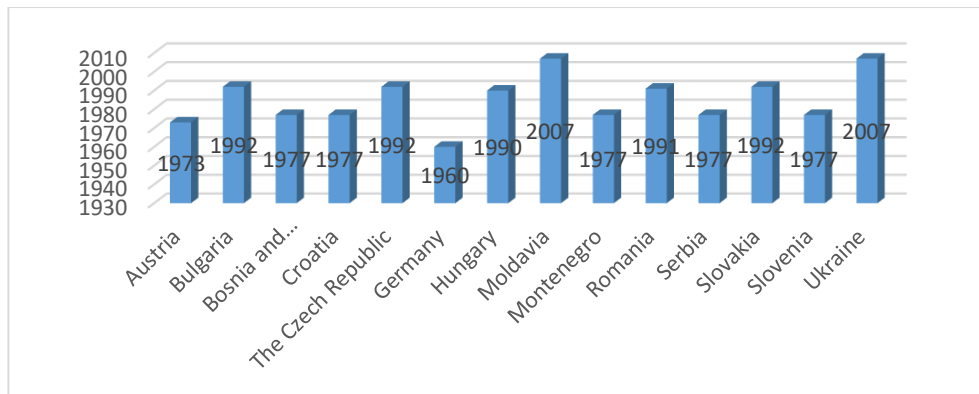


Figure 2 Start of Operations year of EIB activity in the Danube Region Countries

Source: realized by the author based on the information from <https://www.eib.org/en/projects/regions/index.htm>

As we can see in the figure the oldest country of action is Germany (1960) and the newest are Moldova and Ukraine (2007) as neighbouring countries. Bosnia and Herzegovina, Montenegro and Serbia though are not members of the European Unions started their collaboration with European Investment Bank pretty early, in 1977.

Going further, to the projects financed lifetime from EIB in the countries of the Danube Region they are presented in the figure 3. As we can see, Germany benefited of the highest number of projects financed by EIB (1176), followed at a big distance by Austria (304), The Czech Republic (196), Hungary (192) and Romania (164). On the other hand, the countries that benefited from the lowest number of projects financed by EIB are Ukraine (54), Montenegro (29) and Moldova (26).

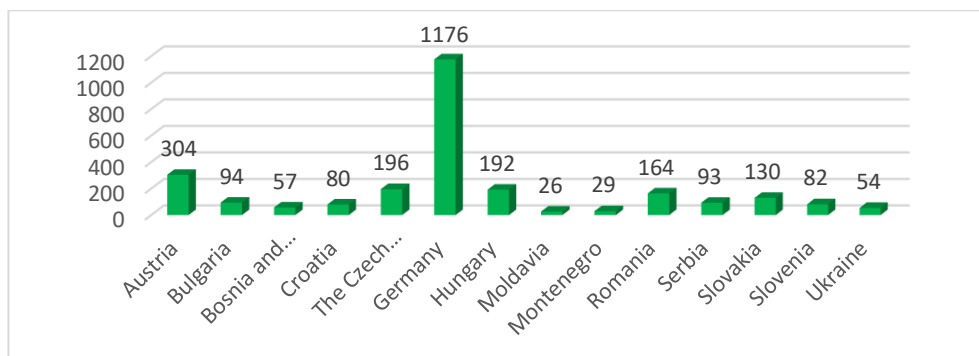


Figure 3. Number of Projects Financed Lifetime by the EIB in the Danube Region Countries in 2021

Source: realized by the author based on the information from
<https://www.eib.org/en/projects/regions/index.htm>

Regarding the value of the projects financed lifetime by the EIB in the countries from the Danube Region, as we can observe from the figure 4, Germany has benefited the highest value (175.36 billion euro), followed by Austria (32.51 billion euro), Czech Republic (24.09 billion euro) and Hungary (23.66 billion euro). At the opposite site, with the lowest value of projects financed by EIB is Bosnia and Herzegovina (3.27 billion euro), Moldavia and Montenegro (both with 1.05 billion euro).

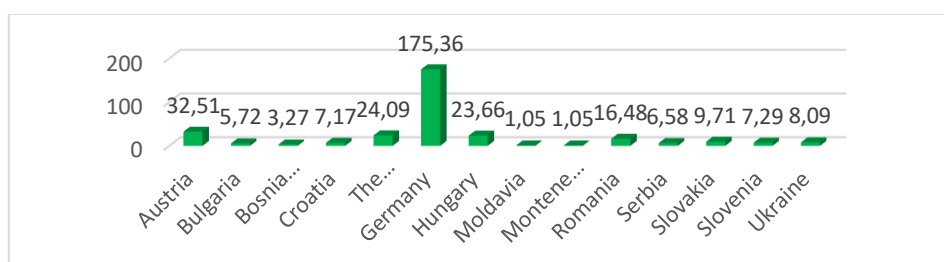


Figure 4. Value of Financed Lifetime (Billion Euro) by the EIB in the Danube Region Countries in 2021

Source: realized by the author based on the information from
<https://www.eib.org/en/projects/regions/index.htm>

Following we will analyze last year's EIB Group activity in Danube Region countries by priority (in € million). We have to mention that about this part we only found available data only for the Danube Region Countries that are members of the European Union.

First we analyzed the value of the EIB finance on sustainable cities and regions in the Danube Region countries in 2021. As we can see in Figure 5, Germany, Austria and The Czech Republic are the countries with the highest value of projects financed in the area of sustainable cities and regions. At the opposite pole are situated Croatia, Hungary and Romania with zero projects financed in this domain.

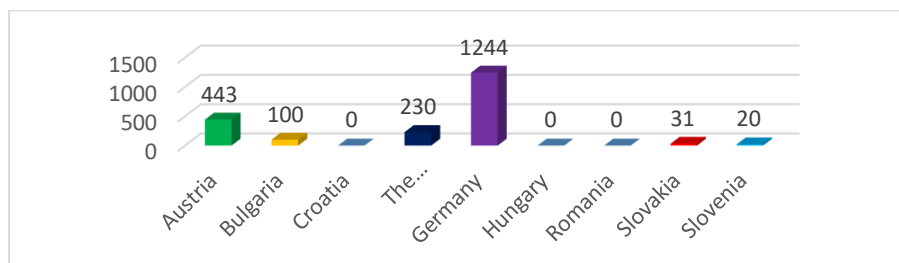


Figure 5. Value of the EIB finance on sustainable cities and regions in the Danube Region in 2021 (million euro)

Source: realized by the author based on the information from <https://www.eib.org/en/projects/regions/index.htm>

Going further to the SME and mid-cap finance, we can observe in the figure 6 that, the percentages are a little different than before. We got used for Germany to be the most privileged country from the EIB finances. Now we can see that Austria is the country with the highest value of projects financed by EIB in the SME and mid-cap area (895 million euro), followed by Bulgaria (798 million euro), Germany (795 million euro) and Croatia (686 million euro). The lowest value of projects in the SME and mid-cap area financed by EIB was in Romania (79 million euro) and Hungary (52 million euro).

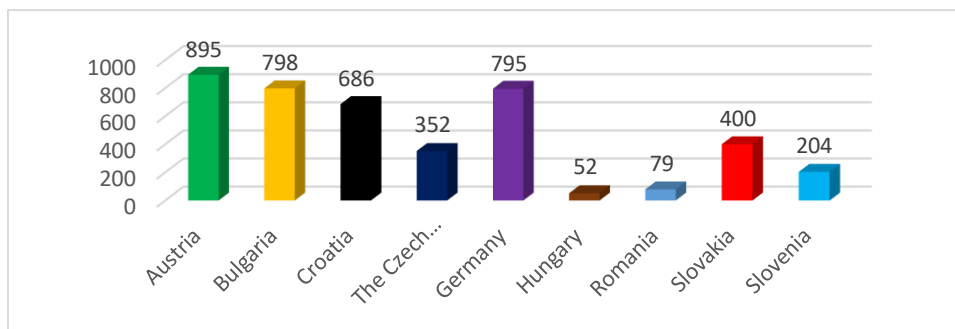


Figure 6. SME and Mid-Cap Finance of EIB in the Danube Region Countries in 2021 (Million Euro)

Source: realized by the author based on the information from <https://www.eib.org/en/projects/regions/index.htm>

Regarding the finance of EIB on sustainable energy and natural resources in the Danube Region countries in 2021, the highest values were registered in the Czech Republic, Hungary, Germany and Romania. At the opposite side, with the lowest value of projects financed by EIB in the sustainable energy and natural resources areas is Austria and Bulgaria with zero euros.

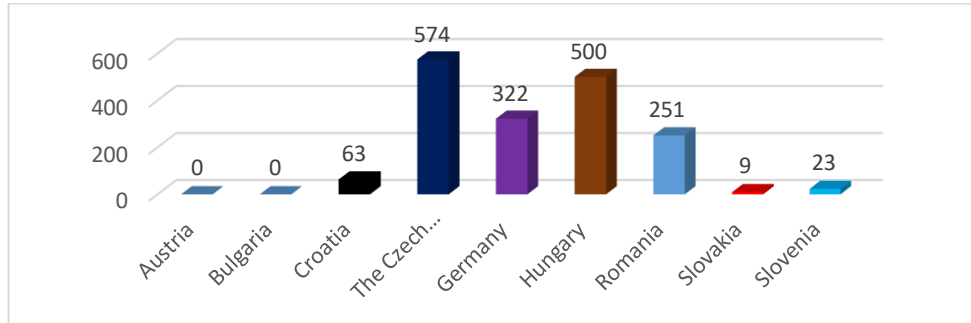


Figure 7. Finance of EIB on Sustainable Energy and Natural Resources in the Danube Region Countries in 2021 (Million Euro)

Source: realized by the author based on the information from <https://www.eib.org/en/projects/regions/index.htm>

In the area of innovation, digital and human capital finance of EIB in the Danube Region countries in 2021, we can see in the figure 8 that is a huge gap between the value of projects granted to Germany and the other countries in the area, 3143 million euro for Germany and 577 million euro for Romania, the second country by projects financed. The lowest value of projects financed by EIB in this area are registered by Croatia (11 million euro) and Slovenia (11 million euro).

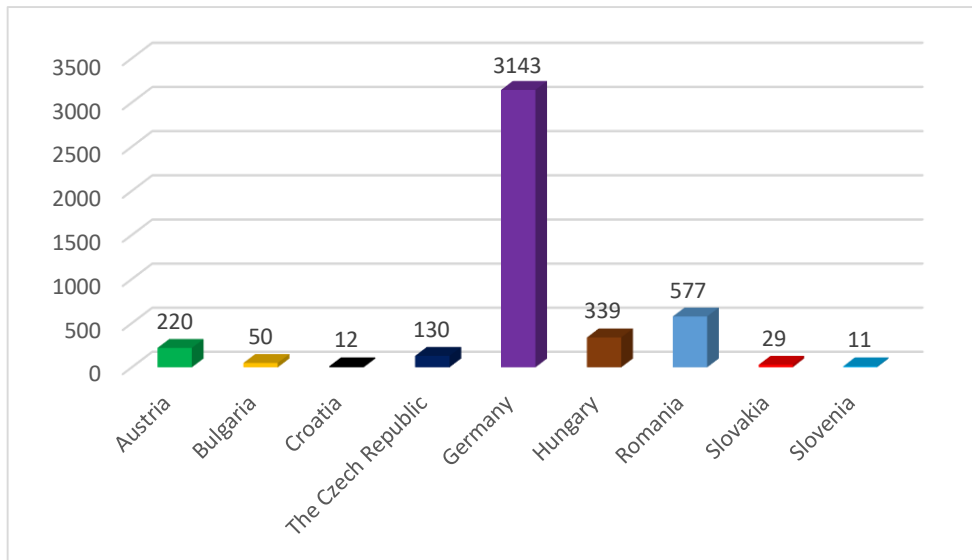


Figure 8. Innovation, Digital and Human Capital Finance of EIB in the Danube Region Countries in 2021 (Million Euro)

Source: realized by the author based on the information from <https://www.eib.org/en/projects/regions/index.htm>

3. Conclusions

The implementation of regional policy has gained a big experience in Europe. And if we think that the European Union is a very complex and heterogeneous formation we can talk about a multi-level regional policy aimed at the development of specific regions within the framework of national states and the economic consolidation of territories at the international level.

This is why a strategy for regional development was necessary and also in order to increase the qualitative development of the integration movement and its deepening.

For financing the regional projects there are used a high range of instruments developed by the European Union. The Strategy for the Danube Region does not come with extra EU finance but it is supported from the resources already available through EU cohesion policy, other EU programmes and financial instruments, and various international financial institutions. European Investment Bank can be considered the Bank of the European Union and contributes to the promotion of the economic, social and territorial cohesion of the Union. In addition, the EIB supports the implementation of measures outside the EU that support the Union's development cooperation policy.

The EIB's activities focus on six priority areas: climate and environment; development; innovation and skills; small businesses; infrastructure; and cohesion. It's activity in the Danube Region countries is what we have analyzed in this paper.

European Investment Bank started its activity in the Danube Region countries in 1960 with Germany, and the latest countries in which the bank started to activate were Moldavia and Ukraine in 2007.

The number of projects financed lifetime by the European Investment Bank in the Danube Region countries is 2651 and the value of this projects is of 320.98 billion euros.

Regarding the main areas financed by the EIB in the Danube Region countries, the finance for sustainable cities and regions totals lifetime 2068 million euros, SME and mid-cap finance totals 4261 million euros, sustainable energy and natural resources – 1742 million euros and innovation, digital and human capital – 4511 million euros. As we can see the main area financed by the EIB is the one that matches the characteristics of the knowledge based economy.

References

*** (2022). *European Investment Bank*, Factsheets. Available at: https://www.europarl.europa.eu/ftu/pdf/ro/FTU_1.3.15.pdf (accessed on 17 May 2022).

*** *The Danube Region – About the Danube Region*. Available online: <https://danube-region.eu/about/the-danuberegion/> (accessed on 14 May 2022).

Ágh, A. (2016), The European Union strategy for the Danube region. In *A 'Macro-Regional' Europe in the Making*; Springer: Berlin/Heidelberg, Germany, pp. 145–168.

Chiripuci B.; Constantin M.; Popescu M. & Scrieciu A, (2020), *The Socio-Economic Impact of Migration on the Labor Market in the Romanian Danube Region*, Sustainability, MDPI, vol. 12(20), pp. 1-26, October.

Dungaciu D. (2020) *The Geopolitical Black Sea Encyclopaedia*; Cambridge Scholars Publishing: Newcastle upon Tyne, UK, ISBN 978-1-5275-5806-9.

European Commission (2010). *European Union Strategy for Danube Region*. Brussels, Belgium OPOCE.

European Commission (2022). *Macro-regional strategies, EU Strategy for the Danube Region*. Available at: https://ec.europa.eu/regional_policy/en/policy/cooperation/macro-regional-strategies/danube/#4.

Gänzle, Stefan & Kern K. (2016). Macro-regions, 'Macroregionalization' and *Macroregional Strategies in the European Union: Towards a New Form of European Governance?* A 'Macro-regional' Europe in the Making. Theoretical Approaches and Empirical Evidence. Palgrave Macmillan.

<https://cohesiondata.ec.europa.eu/stories/s/2021-2027-EU-allocations-available-for-programming/2w8s-ci3y/> (accessed on 22 May 2022).

<https://www.mdlpa.ro/pages/suerd> (accessed on 2 April 2022).

Maslov Y., (2019), Transformational Aspects of The European Union Strategy for the Danube Region. *Baltic Journal of Economic Studies*. Publishing house Baltija Publishing, vol. 5(3).