

Georgia: EU4Business – EIB intensifies support for businesses



- EUR 50m intermediated loan to Bank of Georgia – the European Investment Bank's first local currency transaction in the country
- EUR 15m intermediated loan to Liberty Bank, the first part of an approved EUR 25m initiative to reach out to SMEs via smaller financial intermediaries
- Both operations are expected to support 7 800 jobs
- EIB Group seminar on improving access to finance and supporting inclusive growth

The European Investment Bank (EIB), the EU bank, is lending EUR 50m to Bank of Georgia, financing projects implemented by small and medium-sized companies (SMEs) in the country. This first EIB transaction – partly using the Georgian lari – will improve the access of Georgia's businesses to long-term financing by avoiding exchange rate risk. The local currency solution is supported by the Neighbourhood Investment Facility of the European Union. The operation is expected to support some 4 050 full time jobs. It is the second EIB loan to the Bank of Georgia, one of the largest banks in the country.

Another EUR 15m EIB loan is going to Liberty Bank, the first financial

partner institution backed under a EUR 25m initiative for smaller intermediaries with the potential to reach out to SME clients that are currently not adequately served. The entire initiative will support some 3 750 full time jobs. Liberty Bank will also receive technical assistance to improve its SME lending practices and product offers under the Eastern Partnership Technical Assistance Trust Fund.

Both operations are being implemented under the **EU4Business Initiative**. As part of this initiative, the EIB Group arranged the interactive seminar **“From Access to Finance towards Inclusive Growth”**. The seminar discussed how to increase access to finance for Georgian SMEs and demonstrated the impact such SME support has on inclusive growth. The seminar was informed by the latest findings of an **EIB study on “Access to Finance and SME finance in Georgia”**, which was based on an EIB Bank Lending Survey.

*“Support for economic development and smart, sustainable and inclusive growth is a key priority of the EU’s work with Georgia,” said **EIB Vice-President Lilyana Pavlova**. “As the EU bank, we are committed to supporting small and medium-sized businesses – but we need the help of local partners to do so. I am therefore happy that we are extending our cooperation with a strong existing partner of the EIB and that we are reaching out to new institutions as well. SMEs play a significant role in Georgia’s economy and our transactions will pave the way for better business prospects for those companies and the country in general.”*

Minister of Finance of Georgia Ivane Matchavariani commented: *“We are extremely glad to observe the expansion of EIB portfolio in the private sector. Private sector-led growth is the only suitable growth model for Georgia. Therefore, I am pleased to see EIB private sector initiatives coinciding with government priorities. Our growth model has a particular focus on SME sector development. We want to make the SME sector an important growth driver and tap its potential to support the sustainability, inclusivity and robustness of the country’s economic development. We are glad to see the EIB’s first local currency operation in Georgia. This provides very important support for the country’s dedollarisation policies. I would like to thank the EIB and the private partners represented in these operations for the work done and I hope to see more intensified cooperation between the EIB and the Georgian private sector.”*

EU Ambassador to Georgia Carl Hartzell stated: *“The EU is a strong supporter of SME development in Georgia with a number of projects implemented under the EU4Business brand. With this initiative, we aim to address the needs of promising SMEs that are unable to get financing for their investments from commercial banks.”*

Georgia’s SME sector has substantial potential to generate jobs, contribute to exports and innovation, and support sustainable and inclusive growth. Since the launch of EIB lending in Georgia in 2010, the EU bank has provided loans of EUR 1.9bn to foster the country’s cooperation with the European Union, thereby improving the living conditions of people, upgrading Georgia’s infrastructure, spurring private sector development and enhancing environmental conditions.

Background information:

About EIB:

The EIB Group has joined forces with the European Union under the **Deep and Comprehensive Free Trade Area (DCFTA) Initiative East Programme** aiming to strengthen economic development in the countries which have signed Association Agreements with the EU – namely Georgia, Moldova and Ukraine – by providing financial and technical support targeted at SMEs in these three countries.

About EU4Business:

EU4Business is an EU initiative that helps SMEs in the six countries of the Eastern Partnership (Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine) to finance their development and boost economic growth. EU4Business support is delivered by the EIB together with other organisations outside the EU such as the European Bank for Reconstruction and Development. All EU activities that support SMEs in the Eastern Partnership countries are part of EU4Business. For more information, visit <http://www.eu4business.eu>

Czech Republic: EIB supports upgrade of electricity distribution



- **EUR 330m to reinforce and refurbish medium and low-voltage networks across the Czech Republic: 4 160 km of new grid and 2 475 km of electricity lines upgraded**
- **Facilitation of climate action through increased integration of future capacity from renewable sources**
- **20 000 new users a year to benefit from more reliable electricity supply**

The European Investment Bank (EIB) is providing EUR 330m to the Czech energy utility CEZ to finance an investment programme for the extension, reinforcement and modernisation of the electricity distribution network in nine Czech regions: Plzeň, Karlovy Vary, Ústí nad Labem, Central Bohemia, Liberec, Hradec Králové, Pardubice, Olomouc and Moravia-Silesia.

The EIB funds will help reinforce and refurbish medium and low-voltage networks. The money will also be used to install automation and tele-control systems. The project comprises a large number of geographically dispersed schemes, such as the installation of 4 160 km of new overhead and underground lines, the refurbishment of 2 475 km of lines and the addition of 861 MVA of transformer capacity on the electricity network.

“The project will boost the network’s capacity and will make it fit to integrate more electricity from renewable sources, thereby fostering the move from centralised to de-centralised electricity generation. This is not only good news for households and companies, it’s also important groundwork in our fight against climate change,” commented **EIB Vice-President Lilyana Pavlova**

“The EIB has been a trusted financing partner of CEZ for the last 10 years. Cooperation with the EIB has allowed CEZ to diversify its sources of funding

by complementing traditional debt capital markets without compromising its desire for financing with long maturities. I am very pleased that this particular loan will facilitate investments supporting decentralised electricity generation in the Czech Republic,” commented CEZ Chief Finance Officer Martin Novák.

[Press release – Ilham Tohti to receive the 2019 Sakharov Prize](#)



Mr Tohti, who is currently imprisoned for life in China on separatism-related charges, will be represented by his daughter Jewher Ilham. She will receive the prize from [EP President David Sassoli](#), in a ceremony in the plenary chamber on Wednesday at noon.

President Sassoli and Ms Ilham are also scheduled to hold a press conference immediately after the award ceremony, starting at 12.40, in Parliament's Daphne Caruana Galizia press conference room.

You can watch both the ceremony and the press conference live via [EP Live](#) and [EbS+](#).

[EIOPA publishes the results of the](#)

2019 Occupational Pensions Stress Test

Today, the European Insurance and Occupational Pensions Authority (EIOPA) published [the results of its 2019 Institutions for Occupational Retirement Provisions \(IORPs\) Stress Test](#). This is a crucial, biennial exercise to assess the resilience and potential vulnerabilities of the European Defined Benefit (DB) and Defined Contribution (DC) pension sector, tailored to the specificities of the diverse European pension sector and its potential impact on financial stability. For the first time, this European stress test exercise covered the analysis of Environmental, Social and Governance (ESG) factors for IORPs.

In its 2019 exercise, EIOPA applied an adverse market scenario, characterised by a sudden reassessment of risk premia and shocks to interest rates on short maturities, resulting in increased yields and widening of credit spreads. That adverse market scenario was applied to the end-2018 'baseline' balance sheet of a representative sample of European Economic Area (EEA) IORPs. In the baseline, those IORPs were underfunded by EUR 41 billion on aggregate, which translates into 4% of their liabilities, according to the common methodology.

The adverse market scenario would have led to substantial aggregate shortfalls of EUR 180 billion according to national methodologies and EUR 216 billion following the stress test's common methodology. Under the assumptions of the common methodology, the shortfalls in the adverse scenario would have triggered aggregate benefit reductions of EUR 173 billion and sponsoring undertakings would have to provide financial support of EUR 49 billion. In the 2019 exercise, EIOPA employed an extended cash flow analysis, which provided important insights into the stress effects in terms of timing: IORPs' financial situation would be heavily affected in the short term, leading to substantial strains on sponsoring undertakings within a few years after the shock and resulting in potential long-term effects on the retirement income of members and beneficiaries over decades (should the short-term effects become permanent).

Assessing the potential conjoint investment behaviours of IORPs after the stress event, EIOPA observed an expected tendency to re-balance to pre-stress investment allocations within 12 months after the shock. That may indicate counter-cyclical aspects of the expected investment behaviour, yet would also come at a risk.

The majority of IORPs in the sample indicated having taken appropriate steps to identify sustainability factors and ESG risks for their investment decisions, which is important for an effective implementation of the IORP II Directive, yet only 30% of them have processes in place to manage ESG risks. Further, only 19% of the IORPs in the sample assess the impact of ESG factors on investments' risk and returns. The preparedness of IORPs to integrate sustainability factors is widely dispersed and seems correlated to how advanced national frameworks were.

Matching the participating IORPs' investment information with Eurostat's greenhouse gas emission statistics by business sectors, indicates a relatively high carbon footprint, compared to the average EU economy, of the equity investments and, concentrated in a few Member States, of the debt investments.

In total, 19 countries participated in the exercise, covering more than 60% of the national DB and 50% of the national DC sectors in terms of assets – in most countries. In total 176 IORPs participated, thereof 99 DB IORPs and 77 DC IORPs.

EIOPA will follow-up on the findings and analyse in more depth the investment behaviour of IORPs, in particular in the persistently ultra-low and negative interest rate environment. To do so, EIOPA will make use of the significantly improved pension reporting from 2020. Going forward, EIOPA wants to further improve its analytical tool set for stress testing IORPs, extending the horizontal approach and with that assessing the common exposures and vulnerabilities of the DB and DC sectors together.

Gabriel Bernardino, Chairman of EIOPA, said: 'Long-term obligations and long investment horizons arguably require IORPs to consider ESG factors and enable IORPs to sustain short-term volatility and market downturns for longer periods than other financial institutions.'

The supervisory monitoring and the applied supervisory tools need to be capable of detecting adverse market trends and market developments that can have long-term negative effects.'

For more information, [visit the dedicated webpage](#) or [read the factsheet](#).

[Press release – Parliament to debate EU summit conclusions on Wednesday](#)



During a series of meetings in different formats, EU heads of state or government focussed on climate change and the European Green Deal, the EU's long-term budget, Brexit, the Economic and Monetary Union, the Conference on the Future of Europe and foreign relations.

You can watch the debate in plenary live via [EP Live](#) and [EbS+](#).