

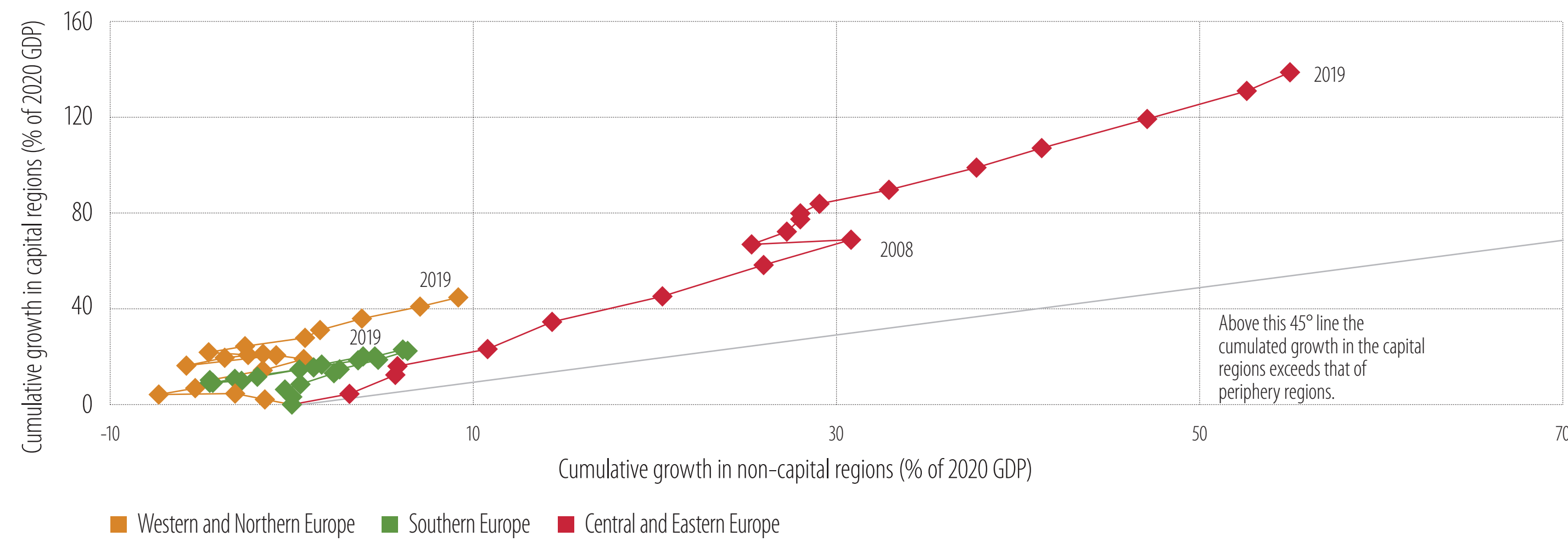


## Chapter 4

# Regional and social cohesion: Widened gaps and how to close them

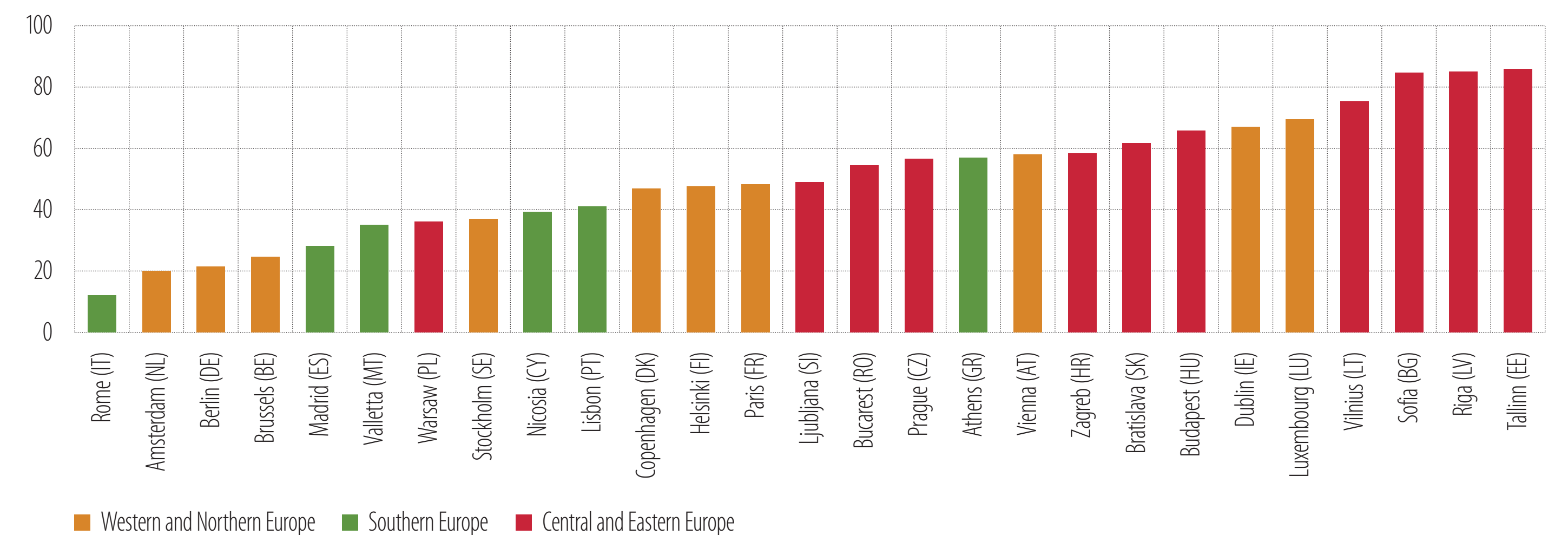
### EU cohesion before the pandemic

Central and Eastern Europe grew rapidly in the two decades before the pandemic, while Southern Europe stalled somewhat



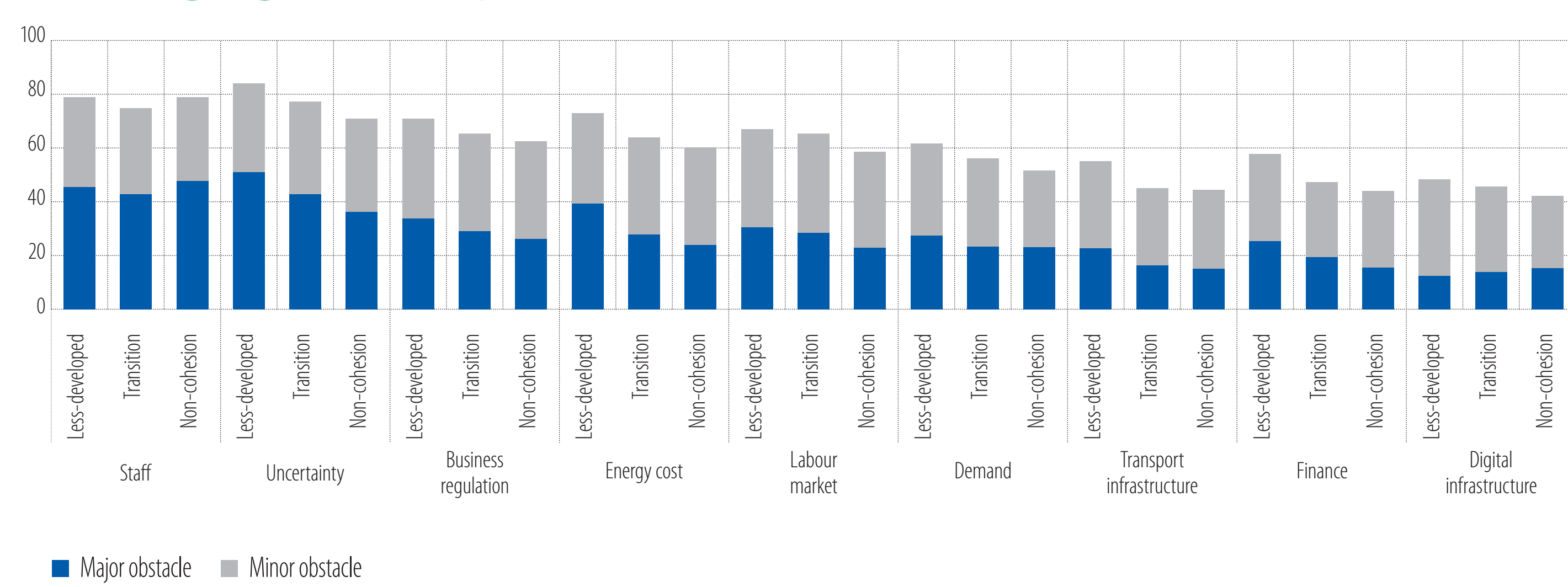
Source: Eurostat, authors' calculation.

A high concentration of startups in capital cities illustrate the importance of agglomeration effects (% of country startups)



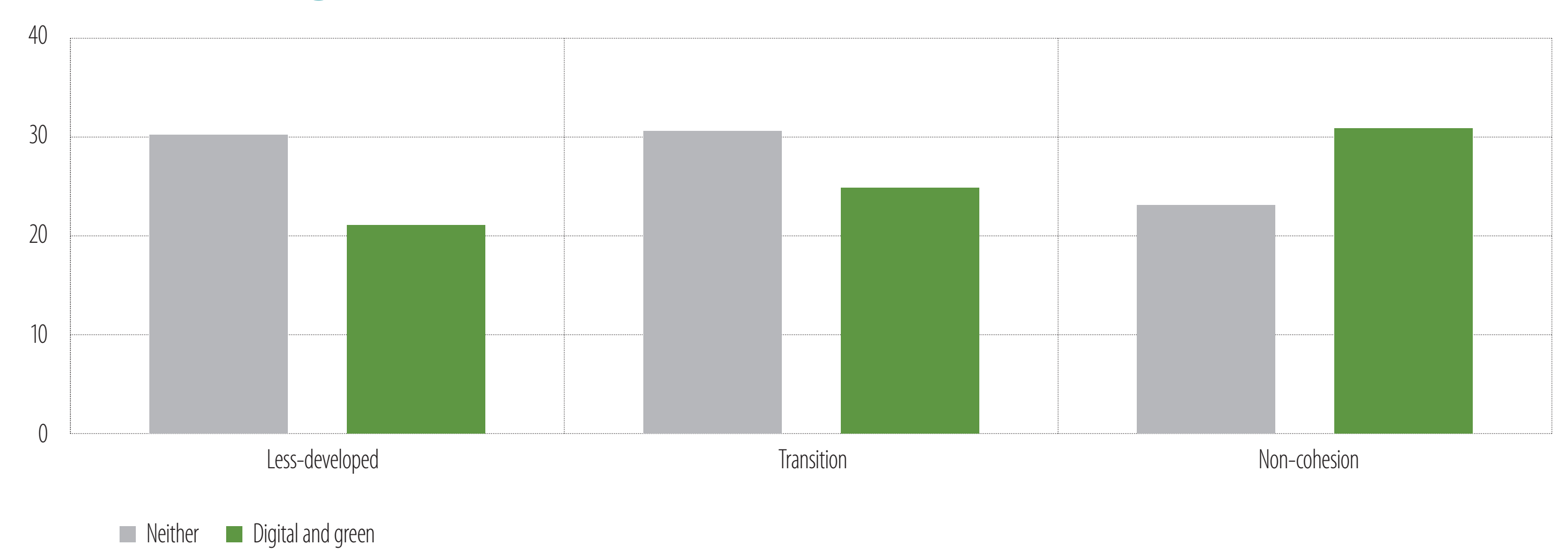
Source: Crunchbase, authors' calculation.  
Baseline: Startups founded between 2008-2020 that are still active.

The economic environment in cohesion regions remains more challenging, with important obstacles to investment (% of firms)



Source: EIBIS 2021.  
Question: Thinking about your investment activities, to what extent is each of the following an obstacle? Is it a major obstacle, a minor obstacle or not an obstacle at all?

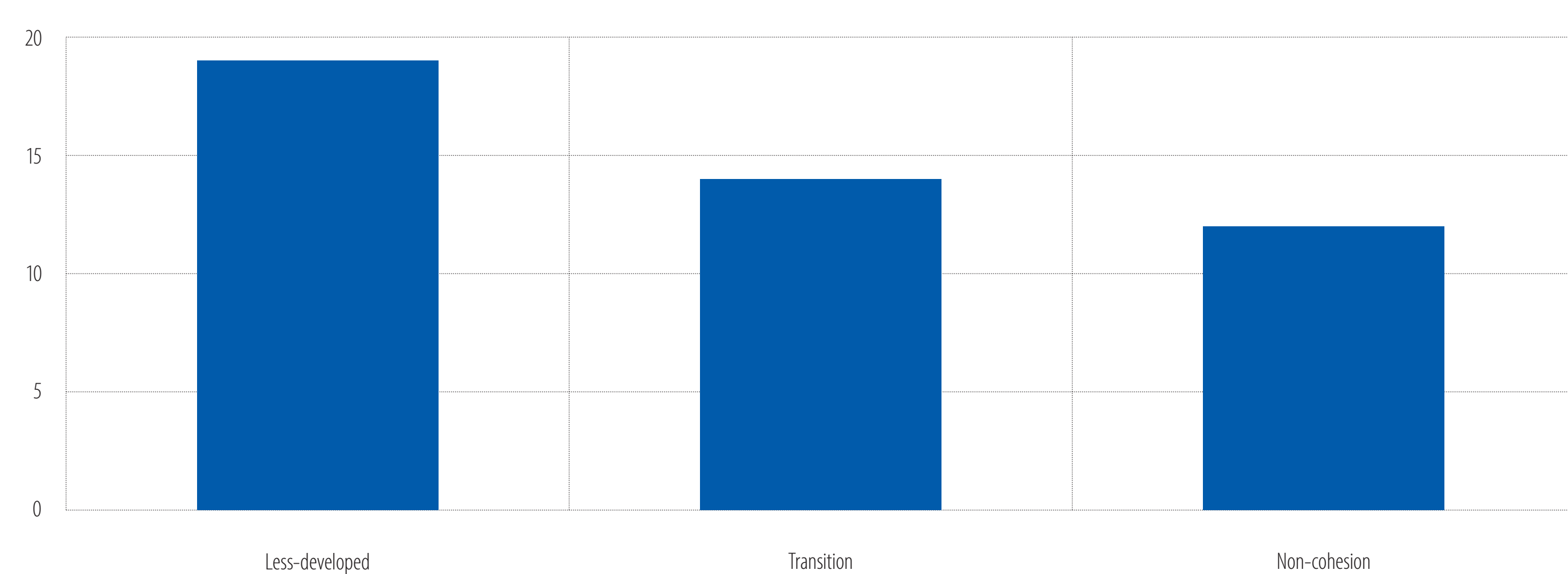
Fewer firms in cohesion regions are transforming digitally or tackling climate change (% of firms)



Source: EIBIS 2021.  
Question: Green: Thinking about investments to tackle the impacts of weather events and reduction in carbon emissions, has your company already invested? Digital: Can you tell me for each of the following digital technologies if you have heard about them, not heard about them, implemented them in parts of your business, or whether your entire business is organised around them?

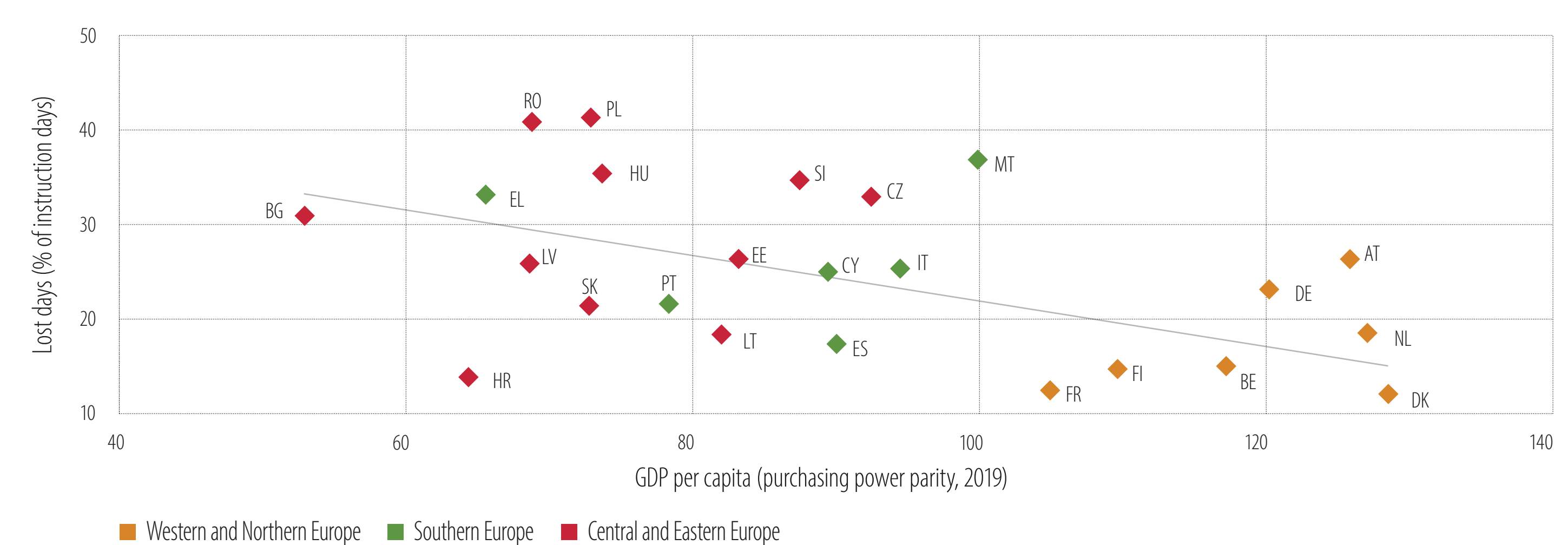
### The impact of COVID-19

The pandemic's long-term effect on employment risks exacerbating geographical and social inequalities (% of firms)



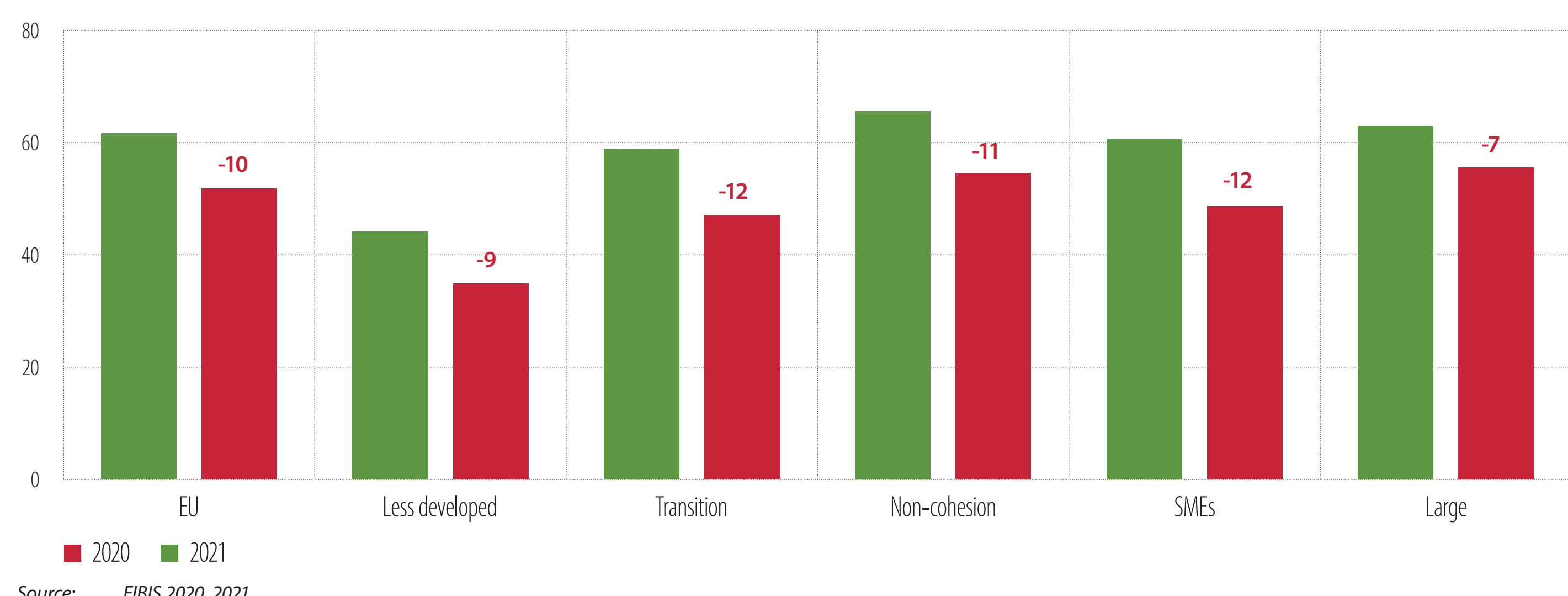
Source: EIBIS 2021.  
Question: Do you expect the coronavirus outbreak to lead to a decrease in employment in the longer term?

The impact on education was also more deeply felt in poorer countries, which closed schools for longer



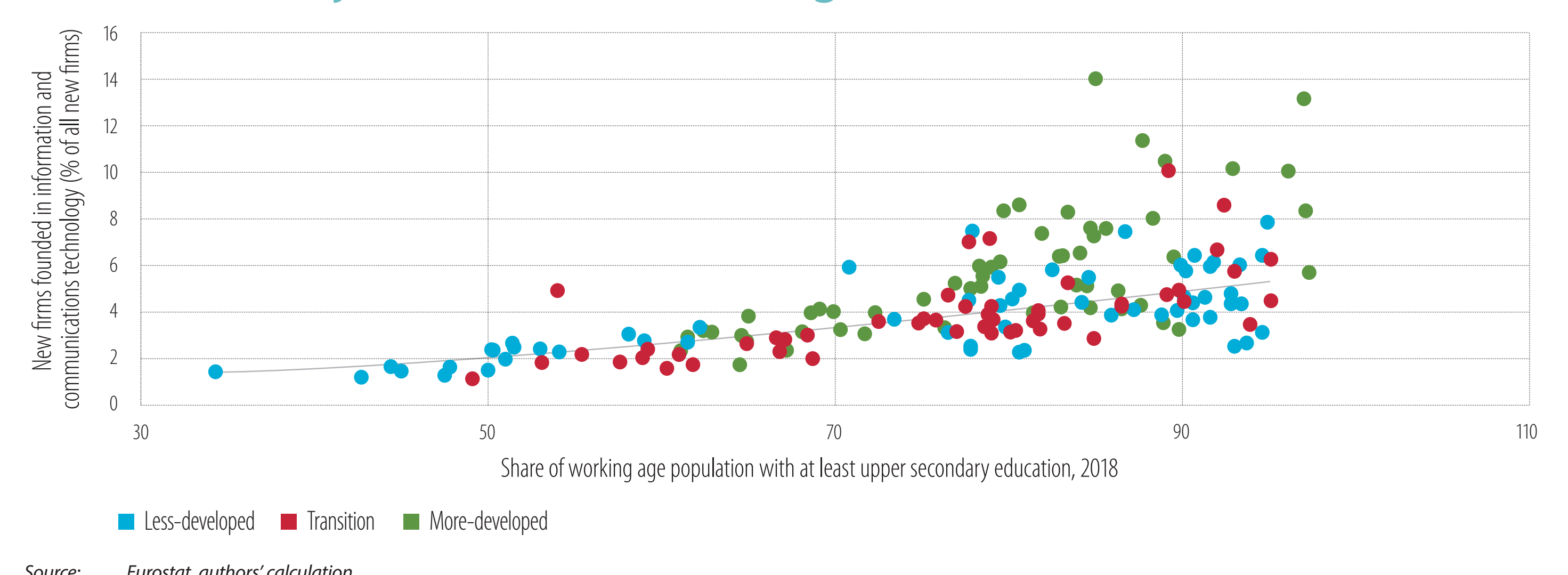
Source: Eurostat, UNICEF, authors' calculation. Days of full school closure during 26 February 2020 - 31 August 2021.

Investment in training also decreased, particularly at small firms (% of firms)



Source: EIBIS 2020, 2021.

A highly skilled workforce is important as it helps countries absorb shocks and adjust to structural change



Source: Eurostat, authors' calculation.

### The pandemic risks exacerbating social and regional divergences

- The pandemic's effect could extend beyond the immediate shock and negatively affect business dynamism, human capital development and firms' ability to adapt to a changing environment.
- The crisis risks causing scarring. Improving the quality of the business environment is crucial for raising productivity, particularly in cohesion regions. A high-quality business environment supports firms' ability to adapt to the "new normal" and a more digital and green economy.
- Investing in skills, including education and training, is key to mitigating the negative effects of the pandemic on human capital. A highly skilled workforce can help economies to adjust to shocks and can facilitate structural change.
- Support programmes and additional resources for schools are needed to make up for the learning losses accumulated during the pandemic.



Chapter 4 of the *Investment Report 2021/2022: Recovery as a springboard for change* can be downloaded at:  
[https://www.eib.org/attachments/publications/economic\\_investment\\_report\\_2021\\_chapter04\\_en.pdf](https://www.eib.org/attachments/publications/economic_investment_report_2021_chapter04_en.pdf)

