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**REPORT FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT AND
THE COUNCIL**

**on the interim evaluation of the Public Sector Loan Facility under the Just Transition
Mechanism in 2025, as referred to in Article 17 of Regulation (EU) 2021/1229**

{SWD(2025) 287 final}

1. INTRODUCTION

The Public Sector Loan Facility (PSLF or ‘the Facility’) is the third pillar of the Just Transition Mechanism (JTM)¹. The Facility was established in July 2021 by Regulation (EU) 2021/1229² (‘PSLF Regulation’) to help achieve the Union’s 2030 climate target and climate neutrality by 2050 in an effective and socially fair manner.

The general objective of the Facility is to address serious social, economic and environmental challenges deriving from the transition towards: (i) the EU’s 2030 climate and energy targets and (ii) the objective of climate neutrality in the EU by 2050, at the latest set out in Regulation (EU) 2021/1119³. The Facility is targeted for the benefit of the EU territories identified in the territorial just transition plans (‘TJTPs’) approved by the Commission.

The specific objective of the Facility is to increase public-sector investments which address the development needs of the territories identified in the TJTPs by facilitating the financing of projects that do not generate sufficient streams of revenues to cover their investment costs.

As a blended instrument, the support under the Facility consists of a loan and grant component. With the contribution of EUR 1.3 billion of EU grants, between EUR 6 billion and EUR 8 billion in loans from the European Investment Bank (‘EIB’) and an estimated EUR 6 billion contribution from other sources, the Facility aims at mobilising between EUR 13.3 billion and EUR 15.3 billion of public investments over the period 2021-2027.

Pursuant to Article 17 of the PSLF Regulation, an interim evaluation of the Facility was performed and a report on that interim evaluation is submitted to the European Parliament and to the Council.

The PSLF interim evaluation involved several steps. Its Call for Evidence was open from 2 February 2024 to 1 March 2024. A supporting study, conducted from April 2024 to January 2025 by T33 Srl and Prognos AG, complemented the evaluation with literature review, stakeholder consultations, interviews, surveys, and case studies. Furthermore, the Regulatory Scrutiny Board (RSB) was involved through an upstream meeting on 16 December 2024 and a subsequent meeting on 14 May 2025. It provided a positive opinion about the evaluation on 16 May 2025 with recommendations. The evaluation concluded with a comprehensive report within the Staff Working Document in 2025.

This report presents the main findings and conclusions of the interim evaluation of the Facility. It is accompanied by a Staff Working Document (‘SWD’) that assesses to what extent the Facility is effective, efficient and coherent, provides EU added value and is relevant.

¹ The Just Transition Mechanism consists of three pillars: 1) the Just Transition Fund, 2) a dedicated scheme under the InvestEU Programme and 3) the Public Sector Loan Facility. The latter is the subject of this report.

² Regulation (EU) 2021/1229 of the European Parliament and of the Council of 14 July 2021 on the public sector loan facility under the Just Transition Mechanism ([Regulation - 2021/1229 - EN - EUR-Lex](#)).

³ Regulation (EU) 2021/1119 of the European Parliament and of the Council of 30 June 2021 establishing the framework for achieving climate neutrality and amending Regulations (EC) No 401/2009 and (EU) 2018/1999 (‘European Climate Law’) (<https://eur-lex.europa.eu/eli/reg/2021/1119/oj/eng>).

2. SCOPE OF THE INTERIM EVALUATION OF THE FACILITY

Pursuant to Article 17(2) of the PSLF Regulation, the purpose of the interim evaluation is to evaluate the PSLF implementation and its capacity to achieve the objectives set out in Article 3 of the PSLF Regulation. In particular, it should assess:

- a) the extent to which the Union support provided under the Facility contributed to address the needs of territories implementing the territorial just transition plans;
- b) how the horizontal principles referred to in Article 4 were taken into account;
- c) the need to carry out a gender impact assessment;
- d) the application of the eligibility conditions set out in Article 9 and how the visibility obligations were applied;
- e) on basis of the projects supported by the Facility, the extent to which the Facility contributed to the environmental objectives laid down in Article 9 of Regulation (EU) 2020/852⁴.

In addition to the specific evaluation requirements laid out above and in the PSLF Regulation, and in line with the Better Regulation ('BR') Guidelines, the interim evaluation covers the five BR evaluation criteria: (i) effectiveness; (ii) efficiency; (iii) coherence; (iv) EU added value; (v) relevance.

The scope of the evaluation covers the Facility from the date when the PSLF Regulation entered into force on 14 July 2021 until 31 January 2025 and targets all EU Member States, in particular, the territories identified in the TJTPs.

This interim evaluation is conducted at an early stage of implementation and, as such, focuses on activities and outputs since results and impact cannot be assessed yet. The assessment of results and long-term impact will be included in the final evaluation, which is required by no later than 31 December 2031 in accordance with the PSLF Regulation (Article 17(3)).

3. OVERVIEW OF THE EVALUATION METHODOLOGY

The findings presented in the scope of the evaluation build on two main components. Firstly, it is based on in-house expertise and documentation. Secondly, the assessment builds on the results of a supporting study contracted by the Commission and prepared by a consortium comprising T33 srl and Prognos AG. The supporting study which was conducted between end of April 2024 and January 2025 combines various methods (document review/desk research, survey, interviews and case studies) to provide answers to the evaluation questions.

An intervention logic was developed as part of this evaluation as well as an evaluation matrix. The matrix linked the evaluation criteria to the intervention logic and used the key elements to draw up research questions.

⁴ Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088 ([Regulation \(EU\) 2020/852 of the European Parliament](#)).

4. THE INTERIM EVALUATION'S MAIN FINDINGS AND CONCLUSIONS

This section summarises the evaluation's findings and conclusions on the PSLF interim evaluation in line with the five criteria set out in the BR guidelines: effectiveness, efficiency, coherence, EU added value and relevance.

4.1. Effectiveness

Since the launch of the multi-annual call for proposals in July 2022 until 31 January 2025, 46 project proposals have been received, 30 out of these (65%) were found eligible and admissible, and 17 of them were selected for funding by the PSLF evaluation committee. The selected projects submitted are expected to mobilise approximately EUR 228 million in grants, corresponding to 17% of the grant component budget, and EUR 1.4 billion in total investments including the grants, the loans and additional sources of financing.

Eligible applications have been submitted by applicants from Greece, Sweden, France, Czechia, the Netherlands, Poland, Spain, Latvia and Ireland, but not from the remaining Member States. Several factors are affecting the uptake of the Facility which include, among others, the overlap with other financing sources offering higher grant co-financing rates for the same type of investments, the administrative capacity of public authorities, the availability of mature project pipelines, financial constraints of potential applicants and the ineligibility of projects benefitting from other EU funds since there is a condition under the PSLF that PSLF projects cannot receive support from other Union programmes.

Other challenges faced by PSLF potential beneficiaries relate to (i) the minimum threshold for EIB direct lending and (ii) the requirements for beneficiaries to obtain EIB framework loans which can be a significant entry barrier for municipalities with small projects and limited administrative capacity preventing them from taking up a coordinating role. Different measures have been undertaken by the Commission and the EIB to mitigate the situation.

The future uptake of the Facility is challenging to assess. While full grant budget absorption is unlikely to happen in the first call for proposals, the second call for proposals (2026-2027) presents an opportunity. This is in particular the case since awareness about the PSLF has increased and national shares will no longer apply beyond 2025. However, the extent to which other EU and national funds are programmed or consumed will be a decisive factor in this regard.

The inclusion of the PSLF in the TJTPs framework has created a clear reference, establishing a crucial just transition strategy that PSLF applicants should align with and refer to in their applications to the PSLF. In addition, TJTPs have created a first step of awareness raising about the PSLF.

For signed projects, the grant has covered between 5% and 18% of the total investment costs, while the loan has accounted for between 31% and 73%. This suggests that the key factor driving the PSLF's value for beneficiaries is the structure of the EIB loan. Potential applicants will assess the interest rate, loan duration, financing amount, and the overall effectiveness of the EIB loan negotiation process in addressing their needs, compared to the terms offered by commercial banks. Although the PSLF is generally well-positioned to provide more favourable financing conditions by combining EIB loans with EU grants, commercial banks often have the advantages of quicker loan processing, simpler procedures, and established relationships with their clients.

The advisory support provided by the EIB for the PSLF is delivered through the InvestEU Advisory Hub. By 31 January 2025, six assignments are ongoing, and one is completed. They cover a wide range of sectors including energy, mobility, environment and social investments. Although the PSLF advisory support is free of charge, initial demand has been low. Preliminary findings suggest that the advisory support provided via the InvestEU Advisory Hub has helped increase the uptake and the quality of applications.

PSLF is a new instrument, therefore communication and information actions were key to promoting its uptake. The Commission, in close cooperation with CINEA and the EIB, raised awareness about the PSLF through many joint actions targeting several types of potential beneficiaries. Initial findings suggest that communication efforts have been effective.

Support for PSLF implementation by national authorities varies and is done on a voluntary basis. National authorities seem to be involved in PSLF when they have sufficient administrative capacity and/or when they perceive PSLF to be relevant. Where national authorities support PSLF uptake, project applications seem to be mature and successful.

The horizontal principles referred to in Article 4 of the PSLF Regulation are integrated in the implementation and the management of the PSLF in several ways. PSLF applicants' commitment to these horizontal principles is assessed during the evaluation of the proposals and during implementation via periodic reporting and on the spot missions. The EIB also appraises and monitors all projects and intermediated operations based on environmental, social and governance criteria. Only those activities that meet EIB's sustainability due diligence requirements are financed.

Concerning gender quality, some signed grant agreements explicitly incorporate a gender mainstreaming approach, while others do not directly address gender equality. In terms of the estimated number of jobs created by the PSLF for the signed grant agreements, 50% (2 870 out of the 5 745) are declared by applicants to be intended for women. In terms of the individuals which should be reached by the signed PSLF projects, 52% are estimated by beneficiaries to be women.

Concerning the contribution to environmental objectives, the broad range of eligible sectors imply that some projects concern climate action directly, while others will be climate-neutral or at least do no significant harm. Some just transition projects that do not lead to a direct reduction in CO₂ emissions might still score high on environmental sustainability. Four out of the seven projects supported by the PSLF declare that they will contribute to CO₂ emissions reduction (estimated 135 805 tonnes per year CO₂ reduction). The other projects will have some environmental impact such as promoting circular economy and biodiversity.

An overall weakness of the PSLF monitoring framework is that the general objective, the specific objective and the Key Performance Indicators (KPIs) do not currently have targets. However, targets for several regulatory KPIs of the PSLF has been put forward as part of this evaluation exercise.

4.2. Efficiency

The launch of the first call for proposals was delayed due to the delayed adoption of the TJTPs, which were a necessary condition for PSLF support to be awarded. This had a direct impact on the timing and efficiency of the PSLF implementation.

The multiannual character of the call compared to an annual call has allowed to reduce the administrative burden caused by its management and ensure a predictable framework for all stakeholders. The timing of the submission deadlines, which are 4 months apart from each other on average, allows applicants to submit applications at regular intervals.

On the other hand, the separate application and reporting procedures for the grant and the loan are perceived as less efficient, compared to a single application for both the loan and the grant.

Analysis of PSLF implementation indicates that, on average, the evaluation of the grant has taken around two months, and that the adoption of the grant award decision has taken between 6 and 13 months. The length of the entire process is mostly affected by the maturity of the loan parameters at the time of submission of the grant application.

The information collected for this evaluation is not sufficient to confirm the expected simplification benefits related to the use of Financing Not Linked to Costs. The impact on administrative costs of the PSLF's simplification measures have not been estimated due to the limited number of applications received and grant agreements signed at this stage. However, Financing Not Linked to Costs and the high percentage of the total grant paid by the pre-financing payment seem to be highly appreciated by the PSLF beneficiaries so far.

PSLF implementation has benefitted from the network of cohesion policy managing authorities and implementing bodies which already exists in the Commission and from the EIB wide network of local offices which has also supported the efficient implementation of the PSLF.

While it is too early to project the value of the PSLF multiplier (grant leverage effect) for the entire PSLF envelope, focusing on the seven awarded PSLF projects, the average ratio of investments and PSLF grant amount to 12, ranging from 5.5 for less developed regions to 21.3 for more developed and in transition regions.

4.3. Coherence

The coherence of the three JTM pillars is outlined in the TJTPs, though they provide limited details on the PSLF. While many Member States mention PSLF-eligible sectors, they often lack specification or clear synergies between pillars. Ultimately, coherence depends on submitted proposals rather than a predefined strategy, with the flexible TJTP framework allowing coherence to be assessed on a case-by-case basis.

Coherence between PSLF and RRF which provides funding for similar types of investments depends on the extent to which there is potential overlap and complementarity between the Resilience and Recovery Plans and TJTPs. The RRF is seen by potential applicants as more attractive.

The EU funds under cohesion policy (ERDF, ESF+ and Cohesion Fund) also share overlapping sectoral eligibility with the PSLF, and they have more favourable funding conditions with higher grant co-financing rates. They have also required considerable programming efforts from Member State authorities striving to meet tight spending deadlines and requirements to access cohesion funds. Altogether, this has also influenced their coherence with PSLF creating not only synergies but also overlapping between instruments. When the attractiveness of different EU funding sources is analysed on the basis of their grant co-financing rates, the PSLF is crowded out.

The overlap of different funding opportunities creates additional complexity for potential beneficiaries and coordinating entities as they must discern the most appropriate funding instrument for each investment and understand the functioning of the different EU funds.

PSLF can also overlap with national programmes, for example the overlapping fund with similar objectives in Germany which could partly explain the limited implementation of the PSLF in this Member State.

More generally, there is a mismatch between the allocated national shares and demand for the PSLF. While the full national shares of the Member States with the largest national shares remains available, other Member States, such as France which has exhausted its national share, could make use of additional resources from the PSLF.

In addition to the PSLF advisory support available under the InvestEU Advisory Hub, public entities in the concerned regions have resorted to several types of technical assistance paid by the Commission within the remit of other Union programmes such as TSI and JTP Groundwork. As some advisory and technical assistance initiatives are still ongoing and others have recently concluded, conclusions on the impact and complementarity of the initiatives cannot be reached at this stage. There is evidence that the awareness raising and communication activities which took place within the framework of PSLF advisory support and the other technical assistance assignments deployed by other consultants have contributed to increasing the knowledge about the PSLF.

4.4. EU added value

Preliminary feedback suggests that PSLF is adding value by making additional resources available to address transition needs in just transition regions. It is creating new opportunities for local public entities to cover just transition investments which would not be possible only through their own resources at the local and national level.

The impact of the PSLF grant on project materialisation remains uncertain due to the limited number of grants awarded, but its impact is contingent upon several factors, such as the exact PSLF co-financing rate or the volume of the grant. The higher these factors are, the higher the grant's impact is expected to be.

Moreover, the grant serves as additional funding to expand project scopes, potentially ensuring the inclusion of socially valuable but otherwise unprofitable components. PSLF advisory services enhance project delivery by improving quality and accelerating application timelines.

PSLF co-financing also offers immediate liquidity for projects after grant signature. Nonetheless, applying for PSLF support might delay implementation compared to using readily available funding sources.

4.5. Relevance

The relatively recent adoption of the TJTPs combined with the currently ongoing mid-term review of cohesion policy (including TJTPs) support the continued relevance of the PSLF to meet current needs. Stakeholder engagement resulted in a wide consensus between institutional actors, national representatives and potential and actual beneficiaries that PSLF objectives are relevant.

The implementation of the PSLF aligns closely with the political guidelines of the new Commission outlined by its President in July 2024, while advancing the long-term objectives established in the European Green Deal in 2019. The PSLF is delivering on EU objectives ensuring that all citizens have an effective right to stay in the communities they call home and supporting a socially sustainable decarbonisation in the regions which have traditionally been dependent on the fossil fuel industry.

5. CONCLUSION AND LESSONS LEARNED

The evaluation of the Public Sector Loan Facility (PSLF) highlights several challenges encountered during its early-stage implementation. Stakeholder feedback reveals varied levels of engagement across Member States. While qualitative data offers valuable insights, the lack of quantitative data hampers a comprehensive assessment. Despite these challenges, there is promising potential for impactful implementation. The following lessons offer guidance for the continued implementation of PSLF and inform the design of future financial instruments.

Mismatch of national shares with potential beneficiaries' needs

For the first call for proposals (until 2025), national shares were established following the budget allocation key defined for the JTF. This has affected the uptake and coherence of the PSLF with other funding sources, highlighting the limitations of not considering that demand for repayable financing could differ from the JTF allocation method. While the full national shares of Member States with the largest national shares remain available, others could have made use of more resources. Additionally, in Member States where the national share was the lowest, there was less incentive for Member States and applicants to invest resources in supporting or developing applications to the PSLF.

The PSLF has a limited capacity to support smaller projects

While smaller projects are benefitting from PSLF support, including 5 projects receiving intermediated loans ranging from EUR 1.5 million to EUR 12 million, intermediated lending is only available in two Member States. In other Member States, the minimum loan amount is EUR 12.5 million, which is a substantial threshold for smaller applicants. Framework loans offer the possibility to meet the loan size threshold by pooling multiple projects together, but this increases the complexity of the application process. Smaller entities may not have the requisite experience or resources to undertake this level of coordination efficiently. Therefore, smaller projects might face exclusion from the PSLF.

A possible solution to high minimum loan size and coordination issues could be a higher engagement from National Promotional Banks Institutions and a higher use of financial intermediation, however the PSLF must offer them adequate incentives to get involved. In any case, the selection of financing partners for future financial instruments should be closely aligned with the needs and profiles of potential beneficiaries with particular attention to engaging partners that have the institutional capacity and operational frameworks necessary to support smaller beneficiaries.

The PSLF's delivery model

The delivery model of the PSLF provides several advantages that contribute to its appeal. One of the key strengths of the PSLF is its facilitation of direct access to EU level funding for local

public bodies. Furthermore, the PSLF employs a blended finance approach, combining EU grants with EIB loans and additional funding sources. This method potentially amplifies the financial resources available to projects, with EUR 1 of PSLF grant bringing on average EUR 12 of investments.

However, the PSLF's dual-application structure, necessitating separate applications for grants and loans, renders the application process complex. The PSLF application process, from submission to the signing of final agreements, can extend up to an overall duration of 18 months, which might not be adequate for all beneficiaries' project implementation timeframes.

A system that would allow the EIB and the Commission to share data submitted by applicants with each other could have potentially increased efficiency and reduced administrative burden for applicants, the EIB and the Commission. Better data sharing between the Commission and its financial partners should be explored for future financial instruments, but at the same time establishing the necessary systems and processes would require substantial resource investment and must align with the planned rollout of the instrument. An alternative delivery model in which a single entity manages the blended financing sources, could be explored for future financial instruments to streamline the application process and enhance the EU's added value. Finally, both the grant and loan parameters should be carefully calibrated for any future financial instruments. The grant parameters should be proportionate to the nature and scale of the investments and in particular provide a meaningful incentive to apply for the instrument, while the loan parameters (interest rates, repayments conditions, loan negotiation process, etc.) should be attractive enough compared to market conditions in order to incentivise uptake.

PSLF advisory support

With Member States prioritising the use of funding offering higher grant co-financing over the repayable financing provided by the PSLF, demand for advisory services under the PSLF was initially limited. Only one completed assignment was included in the scope of this evaluation. The PSLF advisory is carried out by the EIB in the framework of the InvestEU Advisory Hub (under the InvestEU Regulation) and the interim evaluation of the Hub also deemed it premature to fully assess its impact due to limited uptake.

If current trends continue, the PSLF advisory is expected to have limited impact on administrative capacity due to low demand for assignments in this area.

The PSLF's monitoring framework

A weakness of the PSLF monitoring framework is that the KPIs associated to the general objective and the specific objective do not have targets in the Regulation. Targets for the PSLF's regulatory KPIs has been put forward as part of this exercise. The assessment of the simplification and administrative costs for beneficiaries and applicants was limited in the framework of this evaluation because due to the PSLF's early stage of implementation, it would have been based on a reduced, unrepresentative sample. Thorough analysis will take place during final evaluation once a sufficient pool of applicants and beneficiaries is available.

The established indicators from the InvestEU Advisory Hub, such as expected mobilised investments and participants' satisfaction, will be fully used to measure the added value of PSLF advisory services during the final evaluation.

Gender impact

The PSLF call for proposals currently lacks a reference framework for applicants concerning gender equality. To address this, the second PSLF call for proposals (under preparation) will include additional measures to promote gender equality. The toolkit for just transitions regions with the title “Considering gender in regional transformations”⁵ (developed by the Commission) will provide guidance on managing the gender impact of the just transition.

⁵ European Commission (2023), Considering gender in regional transformations. A toolkit for just transition regions (https://ec.europa.eu/regional_policy/sources/funding/just-transition-fund/toolkit-considering%20gender%20in%20regional%20transformations.pdf).