CEB

COUNCIL OF EUROPE DEVELOPMENT BANK



ABOUT THE CEB

Set up in 1956, the CEB (Council of Europe Development Bank) is a multilateral development bank with an exclusively social mandate. Today, the CEB strives to foster social convergence through the financing of social investment projects in its 40 Member States.

As a major instrument of the policy of solidarity in Europe, the Bank grants flexible long-term loans to its Member States, their regional or local authorities, and public or private financial institutions for the financing of projects in social sectors, in accordance with its Articles of Agreement. Since its inception in 1956, the CEB has granted over € 33 billion in loans. In 2011, the CEB approved new projects worth € 2.1 billion, compared to € 2.3 billion approved the previous year.

Along with loans, some very limited grant resources can be made available through CEB trust accounts in order to subsidise interest rates and/or to finance technical assistance. On a much smaller scale, the Bank also provides separate grants in specific cases.





FINANCING SOCIAL PROJECTS IN CEB TARGET COUNTRIES

THE CEB's APPROACH TO TARGET COUNTRIES [1]

While financing social projects across all its member countries, even in those enjoying higher incomes, the CEB has endeavoured, over the years, to first develop and then increase **the geographic focus of its lending on target countries** located in Central, Eastern and South Eastern Europe, according to its strategic orientations within a strong prudential framework. This "political" orientation finds its economic rationale in persistent, although diminishing, gaps between the East and the West of the European continent. It also highlights the importance of social sector reforms and investments for economic growth, social development and the catch-up process with the more advanced countries.

Traditional lending instruments have constituted the main tool for the CEB's activities in the target countries. Indeed, CEB support has primarily been channelled through the provision of flexible long-term loans at favourable interest rates. However, the CEB has been able to diversify its financing instruments:

- Firstly, **"transit loans"** [2] have represented an additional means of action for developing CEB activities in target countries, while improving the lending risk profile. They amounted to € 2.3 billion over the period 1990-2011, representing 13% of total approvals in target countries (see also Figure 1).
- Secondly, the CEB has introduced **subsidised loans** through the Selective Trust Account (STA) in very specific cases involving the CEB's statutory priorities and the most fragile countries.
- Thirdly, the CEB has progressively developed various **grant financing** facilities in the target countries. As a complement to the favourable financing conditions provided on its loans, the Bank can also offer its "non-lending instruments", mainly in the form of technical assistance, funded either from different CEB trust accounts or via various EU grant facilities (see Co-operation mechanisms for details).
- Last but not least, through the **policy of partnerships** with the EU and other IFIs (see Co-operation mechanisms), the CEB has been able to widen its scope of action, leverage its expertise and affirm its specific nature as the social development bank in Europe.

[1] As of February 2012, the **target group** covered the following 21 countries: Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Cyprus, Czech Republic, Estonia, Georgia, Hungary, Latvia, Lithuania, Malta, Moldova, Montenegro, Poland, Romania, Serbia, Slovak Republic, Slovenia and "the former Yugoslav Republic of Macedonia", Turkey.

PROJECT PORTFOLIO: ACHIEVEMENTS TO DATE

The following figures (as at 31 December 2011) illustrate the Bank's commitment to this region:

Projects approved (since 1990)	**€ 17 billion**	45% of total approved since 1990
Loans disbursed (since 1990)	**€ 11.8 billion**	43% of total disbursed since 1990
Loans outstanding (as at 31/12/2011)	**€ 6.9 billion**	57% of total CEB loans outstanding

The efforts deployed by the CEB are all the more significant in that the 21 target countries represent 17% of the Bank's subscribed capital and 37% of the population.

The geographic deployment of the CEB's activities in target countries has progressively diversified over the years, with some major poles of concentration in Central Europe, Turkey and Cyprus, and certain countries in South Eastern Europe, mostly in Romania (see Figure 1).

The Bank has financed an overall amount of € 17 billion in social projects located in target countries, structured around three sectoral lines of action (see also Figure 2): strengthening social cohesion (57% of total), managing the environment (28% of total) and supporting public infrastructure with a social vocation (15% of total).

Figure 1
Geographic distribution of CEB lending in target countries

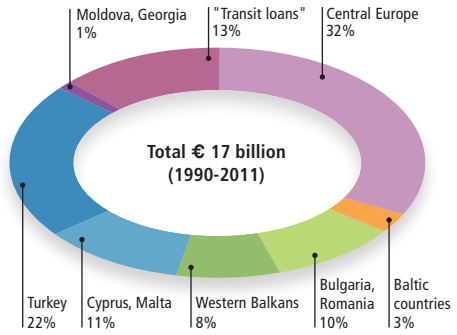
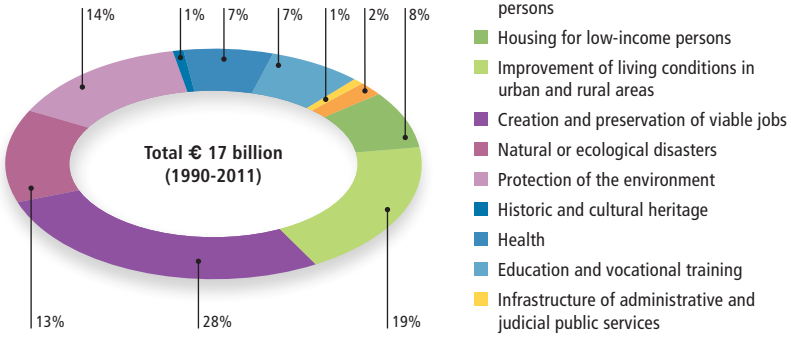


Figure 2
Sectoral distribution of CEB lending in target countries



CO-OPERATION MECHANISMS: PARTNERS AND DONORS

Since the mid-1990s, the CEB has conducted a policy of co-operation with international institutions, first and foremost the European Union, United Nations specialised agencies and other international financial institutions. These partnerships are particularly relevant in the target countries, where the demand for social investments is high and often requires the blending of loans with grants or the provision of technical assistance. In such cases, co-operation minimises project-related risks and creates a financial leverage effect, which contributes to the successful implementation of ambitious projects.

In total, over the past two decades, the CEB has financed **€ 5 billion in loans** through various co-operation mechanisms in target countries and provided some **€ 20 million in grants** either to respond to emergency and highly social situations, or to finance technical assistance via trust accounts funded by donors.

Co-operation between the CEB and the **European Union** in target countries has grown substantially over the last years, due to increasing geographic and operational synergies.

The CEB has developed various co-financing activities with the EU through:

- EU Structural Funds and JESSICA (Joint European Support for Sustainable Investment in City Areas) initiative in EU-27 countries
- European Local Energy Assistance **(CEB-ELENA)**[3] in countries that are members both of the CEB and of the Intelligent Energy - Europe Programme (IEE II)
- EU grant facilities for pre-accession, candidate, potential candidate and neighbourhood countries, mainly within the framework of a tripartite co-operation between the CEB, KfW and the European Commission, the Western Balkans Investment Framework (WBIF) and the Neighbourhood Investment Facility (NIF)
- other activities with the other IFIs such as the European Investment Bank, the World Bank and the European Bank for Reconstruction and Development active in its countries of intervention.

(2) **"Transit loans"** are CEB loans granted to intermediary banks located in non-target countries, for example in Austria, Germany, Italy and Sweden, for the benefit of the local banking sectors in target countries, in order to finance projects in these target countries. Projects are thus intermediated by banks in Western Europe, the CEB's direct borrowers, which on-lend the funds to a subsidiary or an associate local bank to fund projects in the target countries.

(3) As of February 2012, there were 30 countries eligible for **CEB-ELENA**: Belgium, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Latvia, Liechtenstein, Lithuania, Luxembourg, Malta, Netherlands, Norway, Poland, Portugal, Romania, Slovak Republic, Slovenia, Spain, Sweden, "the former Yugoslav Republic of Macedonia".

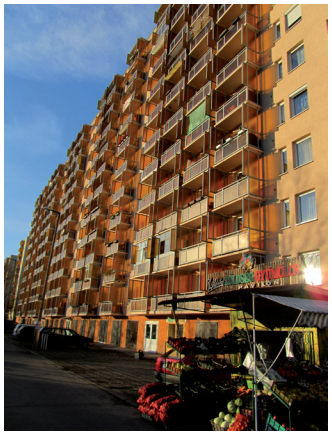


Over the years, the CEB has also developed several **bilateral partnerships with donor countries**, namely with Finland via the Finland Trust Account, Norway through the Norway Trust Account for the Western Balkan countries and most recently, with Spain within the Spanish Social Cohesion Account. The CEB also co-operates with Finland, Germany, Netherlands and Norway through the Human Rights Trust Fund.

Last but not least, the CEB has developed valuable co-operation with **UN agencies**, in highly social projects in favour of the most vulnerable population groups, via its Selective Trust Account. Projects totalling close to € 9 million in the fields of aid to refugees, migrants and displaced persons, housing, education and health, were implemented by the United Nations High Commissioner for Refugees, United Nations of International Children's Emergency Fund and United Nations Development Programme in Albania, Bosnia and Herzegovina, Georgia, Moldova, Montenegro, Serbia and "the former Yugoslav Republic of Macedonia".

Looking ahead, the CEB aims to further strengthen co-operation with the EU and participating IFIs in the region and intends to pursue its efforts to increase the number of social projects to benefit from various co-operation instruments in order to increase the added value of its actions.







FINANCING SOCIAL PROJECTS IN CEB TARGET COUNTRIES: ACHIEVEMENTS AND CHALLENGES



The CEB published in 2012 a study entitled *Financing Social Projects in CEB Target Countries: Achievements and Challenges.* This study comes within the Bank's Policy of communication and accessibility to the "institutional memory". It will be remembered that three studies were recently published and are available on the CEB's website: *Migration in Europe: the CEB's Experience (2008)*, *Evaluation of Public Health Services in South Eastern Europe (2009)* and *Sustainable Housing and Urban Development: the CEB's Contribution (2010)*.

The study responds first and foremost to a geographical logic. Covering all the Bank's sectors of action, the study shows the Bank's steadily growing commitment and diversity of action in the "target countries" situated in Central, Eastern and South Eastern Europe, which is a priority geographical area for the Bank's financings. Over two decades after the fall of the Berlin wall, the study takes quantitative and qualitative stock of the actions conducted by the CEB in this region.

Since 1990, the Bank has financed an overall amount of € 17 billion in social projects located in target countries, representing 45% of total approved over this period, structured around three sectoral lines of action: strengthening social cohesion (57% of total), managing the environment (28% of total) and supporting public infrastructure with a social vocation (15% of total). The efforts deployed by the CEB are all the more significant in that these countries represent 17% of the Bank's subscribed capital and 37% of the population.

The study also seeks to discuss the main lessons and achievements from the Bank's long-standing experience in financing social projects in this region and to outline the challenging operational environment in which the CEB intends to consolidate its activities in its target countries in the years to come. For the target countries, restoring a self-sustained path of growth with more and better jobs in the whole region will be a challenging task for any country. In a complex economic and financial environment, the main challenge for the CEB will be to achieve tangible and sustainable results while investing in social infrastructure over the long term and preserving the Bank's financial solidity and high standing in international financial markets.

Financing Social Projects in CEB Target Countries

EXAMPLES OF CEB PROJECTS

The following project examples (amount approved in EUR millions; year of approval) attempt to illustrate the wealth of the CEB's activities in target countries to date:

Strengthening social integration

Bosnia and Herzegovina	Rehabilitation of the housing stock damaged during the war in order to provide sustainable return support to some 4 500 internally displaced persons then living in temporary accommodation such as collective centres and alternative accommodation (8M€; 2004)
Croatia	Reconstruction of damaged houses and basic municipal infrastructure in order to support the return and resettlement of refugees and displaced persons, in collaboration with local authorities and UNHCR (69M€; 2000, 2003)
Georgia	Grant assistance of € 1 million, channelled through UN agencies, for emergency relief to people displaced by the conflict that occurred in August 2008. The CEB helped rehabilitate collective centres (UNHCR), rebuild basic services and livelihoods (UNDP) and create a community reading centre (UNICEF)
Moldova	Provision of sustainable social housing to low-income persons and vulnerable populations groups (18.3M€; 2006, 2011)
Poland	Construction and modernisation of 26 000 social dwellings for low- and middle-income families, giving them access to decent and affordable housing in the regulated rental sector, in co-operation with the Government and Bank Gospodarstwa Krajowego (360M€; 2001-2002)
CEB/EU/KfW SME Finance Facility	Credit lines to SMEs by assisting credit institutions in the new EU member states in developing their loan operations with SMEs (412.5M€; 2000-2006)
Estonia, Latvia, Lithuania	Micro-credit programmes in support of women's entrepreneurship, implemented with the local banking sector (15M€; 2002-2003, 2007)
Albania	Rehabilitation of secondary and local roads throughout the country, implemented with the Albanian Development Fund and the World Bank (40M€; 2009)
Czech Republic	Construction and modernisation of municipal infrastructure in the areas of transport, cultural and educational amenities, and social services (social centres, day-care centres, schools, homes for the elderly, etc.), financed with Czech Moravian Guarantee and Development Bank (50M€; 2009) and Komercni Banka (70M€; 2011, in parallel financing with EU Structural Funds)

Managing the environment

Hungary	Major flood prevention works in the valley of the River Tisza, within the framework of the Vásárhelyi Plan (169.2M€; 2004) / Rehabilitation works following floods and the toxic red mud disaster that occurred in 2010 (150M€; 2011)
Turkey	Partial financing of the "Istanbul Seismic Risk Mitigation and Emergency Preparedness Project" (ISMEP), in co-operation with the World Bank, via investments for the reconstruction of 90 public schools and 2 student dormitory campuses (250M€; 2010)
Cyprus	Partial financing of a series of environmental projects for the construction or extension of sewerage or irrigation networks in the Municipalities of Ayia Napa, Larnaca, Limassol-Amathus, Nicosia, Paphos, Paralimni (517M€; 1996-1999, 2004, 2007, 2010)
Estonia	Energy efficiency investments in multiple-unit residential buildings, implemented with KredEx, EU Structural Funds and with technical assistance provided by KfW, transiting via selected Estonian commercial banks to the final beneficiaries, i.e. Estonian housing associations, co-operatives, communities of apartment owners (28.8M€; 2008)
Slovak Republic	Restoration of the historic buildings of the University Library in Bratislava and creation of a modern multi-functional cultural and library centre (3.1M€; 2001)

Supporting public infrastructure with a social vocation

Bosnia and Herzegovina	Participation in the national "Health System Enhancement Programme" (HSEP), aimed at building an efficient primary health care system by financing the refurbishing and equipping of family medicine facilities, called "ambulantas", in co-operation with the World Bank (20M€; 2005, 2011)
Romania	Participation in the national "Child Welfare Reform Programme": (i) reconversion of large orphanages, previously called "residential care institutions", into family-type institutions, maternal care centres and day-centres (10M€; 1997); (ii) creation of 20 centres providing day and/or nights services to abandoned "street children" in the form of shelters, day care centres, small group homes and emergency reception centres (3.3M€; 2003), (i) and (ii) in co-operation with the World Bank; (iii) development of community-based services aimed at preventing child separation from the family (10M€; 2006)
Albania	Participation in the "Tirana Schools Development and Rehabilitation Programme" through the construction and rehabilitation of secondary and high schools in Tirana (26.4M€; 2005-2006)
Serbia	Participation in the R&D Infrastructure Investment Initiative (105M€; 2010-2011): upgrading of science and education infrastructure and provision of housing for young researchers, in co-operation with the EIB
"the former Yugoslav Republic of Macedonia"	Reconstruction of Idrizovo Penal Correctional Facility and Skopje Prison, construction of Kumanovo Prison and Tetovo Juvenile Educational Correctional Facility, in co-operation with the EU (46M€; 2010)

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Vision Unit Paris

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COUNCIL OF EUROPE DEVELOPMENT BANK

CEB - Council of Europe Development Bank
55 avenue Kléber - FR-75116 PARIS, France
Telephone: +33 (0)1 47 55 55 00 - Fax: +33 (0)1 47 55 03 38 - www.coebank.org