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CEB Support for Vulnerable Populations

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The study is printed in this form to communicate the result of an analytical work with the objective of generating further discussions on the issue.

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ABBREVIATIONS AND ACRONYMS

AC	Administrative Council
AROPE	At risk of poverty and social exclusion
CEB	Council of Europe Development Bank
CEE	Central, Eastern and South Eastern Europe
CSR	Corporate Social Responsibility
EC	European Commission
EU	European Union
FRA	European Union Agency for Fundamental Rights
"Fund"	Council of Europe Resettlement Fund for National Refugees and Over-Population in Europe
GDP	Gross Domestic Product
IDPs	Internally Displaced Persons
IFI(s)	International Financial Institution(s)
IMF	International Monetary Fund
IMDC	Internal Displacement Monitoring Centre
IOM	International Organization for Migration
MRF	Migrant and Refugee Fund
MSMEs	Micro, small and medium-sized enterprises
NGO	Non-Governmental Organisation
NTA	Norway Trust Account for the Western Balkans
ODA	Official Development Assistance
OECD	Organisation for Economic Co-operation and Development
REF	Roma Education Fund
RHP	Regional Housing Programme
SCA	Spanish Social Cohesion Account
SDA	Social Dividend Account
SDGs	Sustainable Development Goals
UNDP	United Nations Development Programme
UNHCR	United Nations High Commissioner for Refugees
UNICEF	United Nations Children's Fund
WIIW	The Vienna Institute for International Economic Studies

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FOREWORD

The CEB has been working to strengthen social cohesion in Europe by improving the living conditions of vulnerable persons for the past sixty years. Vulnerability, complex though it may be as a concept and difficult to define, concerns a large portion of the population and can affect all aspects of life. It thus constitutes a major obstacle to inclusive growth and social integration.

Related not only to income limitations but also to a variety of other factors such as age, ethnicity, social status, illness, disability as well as to climate change, vulnerability requires a comprehensive approach. To address the issue in an effective way, the CEB has been targeting a number of sectors, such as social housing, health and education, public infrastructure, job creation and microcredit, energy efficiency, and climate adaptation. Particular attention is paid to migrants and their families, whose situation makes them an especially vulnerable group with needs ranging from emergency aid to long-term assistance.

This study outlines the main sources and characteristics of vulnerability in CEB member countries, presents the Bank's holistic approach to the problem, and explores ways of enhancing the impact of CEB activity in that respect. My hope is that it will contribute to a better understanding of how vulnerability affects individuals and society as a whole and how, in line with the United Nations 2030 Agenda for Sustainable Development, the Bank supports its members in addressing these challenges.



Rolf WENZEL
Governor
Council of Europe Development Bank

EXECUTIVE SUMMARY

The complex, multifaceted and elusive concept of vulnerability

1. Vulnerability, susceptibility to harm, is a complex and multifaceted phenomenon. It results from the interrelation between an individual's means, their communities and the life challenges they face. These challenges include economic hardship, disadvantaged social status or social exclusion, poor physical and/or mental health, inadequacy or lack of interpersonal networks and support, degraded neighbourhoods and environments. Although vulnerability is strongly correlated with poverty, not all the poor are socially excluded, and not all the socially excluded are poor.

2. Vulnerability is not a static concept, but rather an evolving phenomenon. Indeed, the complex interactions of the various economic, social and environmental risk factors during a person's life can exacerbate existing vulnerabilities, contribute to developing vulnerability later and/or to transmitting (the risk of) vulnerability to next generations. Vulnerabilities can therefore be temporary, stressing individuals or groups during particular life crises such as unemployment, acute illness, family breakup, disasters or other severe losses. "Temporary" means that the individuals or groups have the resources and resilience to cope once they overcome a particular adversity that overburdened their capacities. In contrast, other people face permanent vulnerabilities because of a long-term pattern of severe and persistent illness and disability, persistent poverty (even from one generation to the next) and chronic unemployment.

The many sources and drivers of vulnerability

3. Insufficient and unstable income is the most common trigger of financial hardship that can lead to vulnerability. Income limitations create a situation in which individuals, living alone or in a household, have to make decisions on a day-to-day basis to meet their most pressing needs such as food, housing, transport, utilities and care. Job loss is one of the key sources of financial vulnerability and housing instability is one of its basic manifestations.

4. Additional risk factors related to age, ethnicity, illness and disability can cause vulnerability or worsen an already existing vulnerability. One important finding is that these groups are generally affected by financial hardship, which either exacerbates their vulnerability or can contribute to developing the risk of vulnerability later in their lifecycle and/or to transmitting (the risk of) vulnerability to next generations. These dimensions are neither exhaustive (others may exist) nor mutually exclusive (since the different risk factors can work together to create cumulative situations of vulnerability, thus compromising people's resilience).

5. Migrants are a particularly vulnerable group. They can be at a greater risk of vulnerability than non-migrants for various reasons: access or eligibility to social security benefits available in the host country when they become unemployed or experience poverty; access to healthcare; lack of appropriate documentation; lack of family or other social support in the country where they experience poverty; discrimination in housing and employment markets; lack of information regarding the services and support available in the host country; language; and pre-existing vulnerabilities that may have led them to leave their country of origin.

6. In the climate change context, the assessment of vulnerability takes on a more specifically forward-looking approach, using information from the present to point to weaknesses that could potentially have an impact on a given context in the future. The long-term climate challenges, such as extreme weather events, may expose larger portions of the population to vulnerability, including groups which until now may never have experienced vulnerability. Responding to current and future climate change impacts and vulnerabilities via adaptation measures means not only protecting against the negative impacts of climate change, but also building resilience and taking advantage of the benefits it can bring.

7. The nature of vulnerability has evolved over the past years and so must our understanding in capturing the diversity of risks and factors that generate vulnerability in its many forms. This has implications for providing support to vulnerable populations. Building resilience and reducing the risk of future vulnerability are essential factors to achieving – as both a process and an outcome – the successful and sustainable integration of vulnerable populations.

CEB financing and its social value

8. Since its creation in 1956, the Council of Europe Development Bank (CEB) has contributed to financing social investment projects in response to the needs and challenges of vulnerable populations in European societies. Within its exclusively social mandate, the CEB takes action in favour of various population groups regarded as vulnerable through several of its sectors of action. Depending on the type of assistance needed, the CEB can provide loans and/or grants.

9. In statutory terms, the CEB has a priority mission to provide assistance to "refugees, migrants and displaced persons" and "victims of natural or ecological disasters". Furthermore, the CEB contributes to responding to the needs and thus to improving the living conditions of other vulnerable population groups across its member states, including persons living below the poverty threshold, ethnic minorities, persons with disabilities and children in vulnerable situations.

10. The CEB's action in favour of vulnerable populations covers several sectors. Projects related to affordable and sustainable housing, local infrastructure, health and education, job creation, energy efficiency and climate change all provide solutions to alleviating vulnerability situations and to supporting the resilience of individuals and local economies.

11. One of the key lessons learned from the CEB's experience in financing projects targeting vulnerable populations is that these projects are extremely complex and that it is vital to ensure the long-term sustainability of successful results.

CEB investment for inclusive growth: the way forward

12. In order to provide an effective response to the increasingly complex and cross-cutting needs of vulnerable populations, the CEB is now looking beyond traditional sectoral silos and adopting a more holistic approach. This implies recognising the interrelated implications of a range of life domains such as employment, health and long-term care, education and housing. Therefore, initiatives to promote social inclusion need to take place on various fronts and at multiple levels. Depending on the local context and the targeted population, comprehensive responses can provide more focused support and thus deliver greater inclusiveness.

13. The CEB's approach to inclusive growth reconciles economic growth with social inclusion, equality and quality of life for present and future generations, while focusing on the most vulnerable sections of the population. Better employment prospects, educational and health outcomes, living conditions as well as opportunities over time all matter for people's well-being. In this respect, equitable access to efficient socio-economic infrastructure and services is fundamental to achieving more inclusiveness.

14. As a multi-dimensional process to create conditions that enable full and active participation in all aspects of life, social inclusion is a concept with universal appeal. The core issue for the CEB as a project financier is how to operationalise the concept of inclusion through social investment in a relevant and effective manner.

15. Considering the current challenges facing Europe, the Bank's core mandate today appears more relevant than ever, thereby making the CEB a unique player in the social field in Europe. From strategic to operational levels, the Bank's activity is underpinned by new sectoral lines of action reflecting the overarching goal of socially inclusive and environmentally sustainable development. While mirroring the core long-term challenges facing Europe today, the three sectoral lines of action also take account of the current and evolving context, making it possible to improve and adapt the CEB's instruments to ensure the Bank can provide an effective response to borrowers and thus make a valuable contribution to social development.

16. Cooperation with various organisations to achieve greater impact and more efficient resource mobilisation has already become and will remain the CEB's approach in dealing with important development needs. Over the coming years, the CEB will be striving towards strengthened cooperation with European institutions and within EU funding mechanisms and facilities. The CEB also intends to intensify its relations, in terms of financing and expertise, with other international financial institutions and UN agencies in areas of common interest. In parallel, the CEB will be striving to raise more donor funding and develop its fiduciary activities. At the same time, the CEB will also be seeking to enhance its visibility and to promote its specific know-how among social development stakeholders in Europe.

INTRODUCTION

Vulnerability is a complex and multifaceted concept. It results from the interaction between the resources available to individuals, communities or larger populations and the life challenges they face. These challenges include economic hardship, disadvantaged social status or social exclusion, poor physical and/or mental health, inadequacy or lack of interpersonal networks and support, degraded neighbourhoods and environments. Although vulnerability is strongly correlated with poverty, not all the poor are socially excluded, and not all the socially excluded are poor.

The complex interactions of these factors over the life course can exacerbate existing vulnerabilities, contribute to developing the risk of vulnerability later and/or to transmitting (the risk of) vulnerability to next generations. In this sense, vulnerability is not a static concept, but rather an evolving phenomenon. Vulnerabilities can be temporary, stressing individuals or groups during particular life crises such as unemployment, acute illness, family breakup, disasters or other severe losses. Although some of these events can lead to persistent or permanent vulnerabilities, "temporary" means that the individuals or groups at issue have the resources and resilience to cope once they overcome the particular adversity that overburdened their capacities. In contrast, other people face permanent vulnerabilities because of a long-term pattern of severe and persistent illness and disability, persistent poverty (even from one generation to the next) and chronic unemployment.

Since its creation in 1956, the Council of Europe Development Bank (CEB) has contributed to financing social investment projects in response to the needs and challenges of vulnerable populations in European societies. Within its exclusively social mandate, the CEB takes action in favour of various population groups regarded as vulnerable through several of its sectors of action, all described in this study. In statutory terms, the CEB has a priority mission to provide assistance to two particular groups of vulnerable populations: "refugees, migrants and displaced persons" and "victims of natural or ecological disasters". Furthermore, the CEB contributes to responding to the needs and thus to improving the living conditions of other vulnerable population groups across its member states. Particular attention is devoted to the following groups: persons living below the poverty threshold, ethnic minorities, persons with disabilities and children in vulnerable situations. CEB projects related to social and affordable housing, local infrastructure, health and education, job creation and energy efficiency all provide solutions to alleviating vulnerability situations and to supporting the resilience of individuals and local economies.

This study presents an overview of the CEB's long-standing experience in improving the living conditions of vulnerable populations in Europe. It also assesses recent trends in and sources of vulnerability across CEB member states and their implications for the Bank's role in addressing these trends and challenges.

The study is divided into three main parts.

Part 1: CEB financing and its social value

This introductory part provides the conceptual framework for understanding the main characteristics of vulnerable populations, both globally and in the context of CEB action. Chapter 1 defines different forms of vulnerability, and describes the various economic, social and other risk factors leading to vulnerability. Chapter 2 then presents the CEB's approach, scope of action and experience to date in financing projects in favour of vulnerable populations. The added value and social impact of CEB projects are evidenced by a series of case studies selected by purposive sampling to cover a wide range of countries, borrowers, final beneficiaries and responses to vulnerability pressures.

Part 2: Drivers of and trends in vulnerability

This analytical part explores the multidimensional nature of vulnerability and its impacts on the different segments of the population across CEB member countries. In so doing, it follows the definition of vulnerability provided in Chapter 1 and assesses recent trends in vulnerability triggered by the various economic, social and environmental risk factors. In each chapter, possible areas for CEB action are described in response to these different trends and challenges.

Part 3: CEB investment for inclusive growth: the way forward

This final part contributes to the growing debate on how best to meet the increased and diversified needs of vulnerable populations by presenting the CEB's approach to the concept of an inclusive society. To conclude, the study explores ways of enhancing the CEB's relevance and social impact for the populations in need, which are increasing in both number and profile.

PART 1: CEB FINANCING AND ITS SOCIAL VALUE

Part 1 provides the conceptual framework for the integration of vulnerable populations. Chapter 1 defines different forms of vulnerability, and describes the various economic, social and other risk factors leading to vulnerability. Chapter 2 then presents the CEB's approach, scope of action and experience to date in financing projects in favour of vulnerable populations.

Box 1: CEB sectoral lines of action

Set up by the Committee of Ministers of the Council of Europe in 1956 as the Council of Europe Resettlement Fund for National Refugees and Over-Population in Europe, the CEB is the oldest IFI and the only development bank with an exclusively social mandate in Europe.

With a mandate to operate in its 41 member states[1] and a particular focus on the countries in Central, Eastern and South Eastern Europe, known as "target countries", the CEB has become an important financial tool within the framework of European solidarity.

The Bank's original mandate was to respond to emergency situations, with aid to refugees, migrants, displaced persons and victims of natural or ecological disasters being a statutory priority (Article II of the Articles of Agreement). The Bank's scope of action has progressively widened to include other sectors that directly contribute to strengthening social cohesion in Europe.

CEB lending is structured around three sectoral lines of action:

- Sustainable and inclusive growth with emphasis on socially oriented components and particularly on public infrastructure with a social vocation, job creation and preservation, access to the labour market, housing and the integration of vulnerable groups
- Integration of refugees, displaced persons and migrants
- Climate action: developing mitigation and adaptation measures.

These sectoral lines of action reflect both the CEB's specific social vocation and the development logic underpinning all its activity in the following sectors of action:

- Aid to refugees, migrants, displaced persons and other vulnerable groups
- Social housing for low-income persons
- Improving living conditions in urban and rural areas
- Natural or ecological disasters
- Protection of the environment
- Protection and rehabilitation of historic and cultural heritage
- Health
- Education and vocational training
- Administrative and judicial infrastructure
- Supporting MSMEs for the creation and preservation of viable jobs.

The CEB's approach to vulnerable populations and its scope of action in this field are defined in the "Loan and Project Financing Policy" (updated in November 2016), available on the CEB's website.

[1] **Albania**, **Bosnia and Herzegovina**, Belgium, **Bulgaria**, **Croatia**, **Cyprus**, **Czech Republic**, Denmark, **Estonia**, Finland, France, **Georgia**, Germany, Greece, Holy See, **Hungary**, Iceland, Ireland, Italy, **Kosovo**, **Latvia**, **Lithuania**, Liechtenstein, Luxembourg **Malta**, **Republic of Moldova**, **Montenegro**, Netherlands, Norway, **Poland**, Portugal, **Romania**, San Marino, **Serbia**, **Slovak Republic**, **Slovenia**, Spain, Sweden, Switzerland, **"the former Yugoslav Republic of Macedonia"**, **Turkey**.
Note: Countries in bold are the CEB's target countries in Central, Eastern and South-Eastern Europe.

Chapter 1: The CEB's approach to vulnerable populations

This chapter sets the general framework for understanding the main characteristics and dimensions of vulnerability, both globally and in the context of CEB action.

1.1. Definition

There is no standard international definition of who is a vulnerable person. However, the simplest definition of vulnerability arises from its original meaning: the root of the English word "vulnerable" is the Latin expression *vulnerare* for "to wound". Therefore, vulnerability can be basically described as "the capacity to be wounded" (Patterson, 2013).

Every society includes vulnerable people who need support in addressing personal challenges such as extreme poverty, poor physical or mental health, low educational level and insufficient skills, or other income- or non-income-related fragilities. Every vulnerable person represents a moral responsibility and a social challenge. Governments often provide protection against hardship for the most vulnerable in their societies. However, the assessment of such public programmes and services is beyond the scope of this publication.

Given the complex nature of vulnerability, definitions to identify the group of vulnerable populations vary from country to country and direct international comparisons of the size and composition of vulnerable populations are therefore extremely difficult. However, for the purposes of this study, various vulnerable groups will be identified and described in the context of CEB action.

First, vulnerability can be defined as a complex, multifaceted phenomenon that refers to one or more of the following dimensions (or risk factors):

- Economic hardship due to lack of financial resources: poverty, low living standards or housing problems such as deprivation, overcrowding and energy poverty.
- Social exclusion: limited access to basic facilities such as schools, medical services, clean water and sanitation; lack of material or moral support from social networks.
- Health difficulties: disadvantages resulting from poor physical and/or mental health, and disabilities.
- Stigmatisation: being a victim of stereotypes or, as a member of a particular social or ethnic group, being confronted with disgraceful behaviour and discrimination.
- Being a victim of (or fleeing from) violence/crime/war/persecution.
- Being exposed to environmental hazards and climate risks.

Second, vulnerability and the probability/risk of falling into vulnerability are difficult to measure. One possible way of addressing this methodological limitation is to consider income as a main driver of vulnerability. Economic deprivation appears as the measurable aspect of vulnerability and this single-dimension approach is very similar to the often-used, more restrictive concept of poverty (see Chapter 3). Since social and emotional needs are more subjective, they cannot be easily measured. Nevertheless, social (and societal) exclusion related to poverty, age, ethnicity, race or health plays an important role in the multidimensional approach to vulnerability (see Chapters 4&5). In the climate change context, the assessment of vulnerability takes on a more specifically forward-looking approach, using information from the present to point to weaknesses that could potentially have an impact on a given context in the future (see Chapter 6).

Third, some of these dimensions may be intertwined and linked to each other. In effect, vulnerable individuals are often confronted with multiple challenges leading to complex needs since physical problems can trigger material, social and emotional problems and people in material deprivation tend to have strong emotional and social needs. In extreme cases, social exclusion might lead to isolation that is harmful to the individual psychological wellbeing.

Fourth, vulnerability is not a static concept, but rather an evolving phenomenon. The situation of vulnerable persons is profoundly different depending upon whether this state is persistent or transitory and, when it is transitory, depending upon whether or not there is a risk of recurrence. Therefore, a distinction needs to be made between:

- vulnerable populations that are dependent today, but have the opportunity to be re-integrated into work/school/active life (such as the unemployed or individuals with limited educational attainment) and have resilience to cope once they overcome the particular adversity that overburdened their capacities,
- vulnerable populations that are dependent today and will need to be supported for the foreseeable future (such as the frail elderly or persons with chronic diseases).

This distinction is important for developing short-term (emergency) and longer-term (integration or prevention) services and support.

1.2. Scope of CEB action

Within its mandate, the CEB takes action in favour of various population groups regarded as vulnerable through several of its sectors of action, all described in the Case Studies presented in Chapter 2. Depending on the type of assistance needed, the CEB can provide loans and/or grants.

- **Two statutory priorities**

In statutory terms, the CEB has a priority mission to provide assistance to two particular groups of vulnerable populations: "refugees, migrants and displaced persons" (see Case Studies 1 & 5) and "victims of natural or ecological disasters" (see Case Study 2).

Article 2 of the Bank's Articles of Agreement states:

"The primary purpose of the [Fund]/Bank is to help in solving the social problems with which European countries are or may be faced as a result of the presence of refugees, displaced persons or migrants consequent upon movements of refugees or other forced movements of populations and as a result of the presence of victims of natural or ecological disasters. The investment projects to which the [Fund]/Bank contributes may be intended either to help such people in the country in which they find themselves or to enable them to return to their countries of origin when the conditions for return are met or, where applicable, to settle in another host country."

Aid to refugees, migrants and displaced persons
The CEB was set up in 1956 as a "Resettlement Fund" by eight members of the Council of Europe in order to tackle the problems of refugees and persons who had become displaced during the Second World War and its aftermath. It is precisely the long-term vision of migration that has been a key element behind the CEB's evolution from a Resettlement Fund to a fully-fledged development bank with a social mandate. Today, sixty years on, improving the situation of refugees and migrants is still very much central to the CEB's work, particularly in the context of Europe's current refugee crisis, the biggest refugee surge since the Second World War.

As a social development bank, the CEB assists its member countries upon request with "emergency projects", financed in the event of crisis situations (such as refugee sheltering and post-conflict assistance) and with longer-term "integration projects", aimed at the social inclusion of migrants and other vulnerable populations.

While the CEB's emergency assistance focuses mainly on accommodation facilities (e.g. reception centres, shelter, etc.) and the voluntary resettlement of refugees and displaced persons as conditions allow, in the longer term, the CEB primarily addresses the issues of migration and migrant integration as cross-sector themes and provides financing for local infrastructure, decent and affordable housing, language acquisition, skills development and job creation to help those entitled to stay to integrate in their host countries as effectively and quickly as possible. In fact, it is on this long-term objective of integration that the CEB focuses its action in favour of these vulnerable population groups.

Aid to victims of natural or ecological disasters
Projects in the sector of natural or ecological disasters involve the reconstruction or rehabilitation of destroyed or damaged infrastructure, in particular housing and basic infrastructure such as water supplies, wastewater and solid waste treatment, electricity and gas supplies. On the other hand, enhancing the effectiveness and sustainability of the CEB's contribution to helping populations manage natural risks has meant shifting the operational focus from immediate emergency response to long-term preventive action.

This is reflected by the Bank's pro-active approach that consists in tackling climate change related events first and foremost through adaptation rather than emergency reconstruction. Within this sustainability perspective, the CEB's action has steadily evolved in favour of prevention so that the breakdown of the CEB's activities between prevention and reconstruction over the past ten years has been approximately 50/50. CEB projects that help protect populations and livelihoods from damage arising from natural disasters aim at providing lasting solutions for reducing vulnerability to natural disasters, reversing environmental degradation and promoting the member states' sustainable development and adherence to national and international environmental standards.

- **Other vulnerable groups**

By providing long-term funding for social investment projects, the CEB also contributes to responding to the needs and thus to improving the living conditions of other vulnerable population groups across its member states. Projects related to social and affordable housing, local infrastructure, health and education, job creation and energy efficiency all provide solutions to alleviating vulnerability situations.

Particular attention is devoted to the following population groups:

- Persons living below the poverty threshold, i.e. with less than 60% of the national average income, (see Case Study 3).
- Ethnic minorities (see Case Studies 3, 5 & 6).
- Persons with disabilities, children in vulnerable situations or abandoned children (see Case Study 4).

Elderly populations as such are not explicitly considered as vulnerable in the CEB's Loan and Project Financing Policy. However, the CEB's mission to assist vulnerable social groups also includes more fragile segments of elderly populations, namely the elderly living on low-incomes (see Case Study 3) and dependent elderly in need of permanent assistance (see Case Study 4).

Affordable and sustainable housing

The provision of decent and affordable housing represents a large share of the CEB's activities. Beyond the objective of improving the living conditions for those who are poorly housed, the CEB contributes to the provision of housing to socially or physically vulnerable groups with specific needs and/or lacking in special-purpose housing. Moreover, the provision of sustainable housing at an affordable price can especially target vulnerable households hit by energy poverty, thus combining environmental and social objectives.

Depending on the local context and targeted population, housing programmes are also increasingly considered as an instrument for fighting and preventing poverty, since they address important cross-sector needs of different categories of populations, including but not limited to vulnerable groups. For instance, integrated programmes that combine housing and community services – such as accompanying child or social welfare facilities and services – provide more focused support and may thus contribute in a more substantive manner to social cohesion or gender inequality issues.

Local infrastructure

The CEB's investments in local infrastructure – involving the construction or rehabilitation of schools, playgrounds, green areas, libraries, medical and social care facilities, social aid centres and local transport – also contribute to the social inclusion of vulnerable groups. Given its social mandate, the CEB targets dilapidated neighbourhoods, peripheral districts or cities lacking in urban infrastructure, social and cultural amenities. In addition, improving living conditions in rural areas contributes to a higher standard of living and decreases the population drain from these areas into cities. Creating a more attractive, inclusive and sustainable living environment is therefore key not only to improving the conditions and quality of urban and rural life, but also to establishing a more dynamic local economic base, spurring stronger social and cultural identities and creating thriving communities. At a time when cuts in public spending risk exacerbating rising inequalities, CEB funding makes sure that vital public services continue to be provided.

Health and education

Investing in people's health and education and promoting equitable access to healthcare and education contribute to strengthening human capital and social inclusion across societies. In the context of vulnerability, they can also be seen as important elements for improving people's resilience to cope with unforeseen adverse personal shocks. The CEB's investments in health and education thus play an important role in strengthening resilience and reducing exposure to vulnerability.

Job creation and energy efficiency

The CEB's support to MSME investments can be viewed as a tool to reach beneficiaries excluded from the formal financial sector (e.g. low-income persons, migrants, ethnic minorities). By facilitating access to credit, microcredit (see Case Study 5) in particular represents an important element in the financial and therefore social inclusion of vulnerable individuals and households. Moreover, in conjunction with national or regional programmes, microcredit can contribute to improving living conditions through family finance for various purposes such as energy efficiency, since microloans for energy efficiency projects can help households reduce their energy consumption and bills.

Chapter 2: Experience to date

Chapter 2 provides an overview of the CEB's experience in financing projects in favour of vulnerable populations since the Bank's creation in 1956. The project portfolio is analysed in line with the cross-sector approach presented in Chapter 1. The added value and social impact of CEB projects are evidenced by a series of case studies.

2.1. Lending to date

CEB figures - Methodological note

The CEB's action in favour of vulnerable populations covers several sectors, namely "Aid to refugees, migrants and displaced persons", "Aid to victims of natural or ecological disasters", "Housing for low-income persons", "Health", "Education and vocational training", "Supporting MSMEs for the creation and preservation of viable jobs". The project portfolio presented in this chapter captures this variety of CEB projects, reflecting the various types of investment areas and the various groups of vulnerable beneficiaries eligible for CEB financing.

Furthermore, many of these projects can be categorised under more than one sector of action. For example, post-disaster housing reconstruction can be labelled not only as aid to victims of natural disasters and the provision of housing for vulnerable populations but also as adaptation measures in order to reduce vulnerability and strengthen resilience to future climate events. Because of the cross-cutting nature of the CEB's action in this field, the estimated amounts below may overlap and therefore cannot be aggregated.

The figures provided include CEB projects either fully or partially targeted to vulnerable beneficiaries. In the latter case, only the components directly impacting vulnerable populations are reported. For each of the case studies below, the estimated amounts benefitting vulnerable populations are meant to illustrate the scale of the CEB's action.

- **Two statutory priorities** (see Case Studies 1&2)

With the roots of the Bank's financing in favour of **refugees, migrants and displaced persons** dating back to 1956, the total volume of projects approved in this field amounts to more than 3 billion.

From the Bank's creation to date, lending devoted to aid to **victims of natural or ecological disasters** has totalled 6 billion across CEB member countries for projects involving both post-disaster reconstruction and preventive measures.

- **Other vulnerable groups** (see Case Studies 3-6)

Housing for vulnerable populations
The CEB contributes to the provision of decent and affordable housing to socially or physically vulnerable groups with specific needs and/or lacking in special-purpose housing. Since 1956, lending devoted to housing for vulnerable populations has totalled 10 billion.

Access to education and healthcare infrastructure
The CEB's investments in education and healthcare infrastructure – also contributing to the social inclusion of vulnerable groups – have represented 2.5 billion since 1956. This amount includes projects directly targeting children in vulnerable situations, dependent elderly persons in need of permanent assistance, physically and mentally handicapped persons and those suffering from ill-health.

Financial inclusion of vulnerable groups: microcredit
Job creation and self-employment via access to microcredit for vulnerable individuals and households with limited or no access to the formal banking sector represent an important element in their financial and therefore social inclusion. Funding for such microcredit schemes reached 610 million.

Labour market inclusion of vulnerable groups
With the objective of enhancing employability and labour insertion capacity for vulnerable persons with particular difficulties in finding a job, vocational training programmes have represented around 200 million in the CEB's portfolio since 1956.

2.2. Grant assistance

In addition to the substantial volumes lent, the CEB has provided considerable grant assistance to vulnerable population groups. Since 1995, this assistance has totalled close to 110 million.

Grant resources can be made available through the CEB's fiduciary accounts in order to subsidise interest rates, to provide loan guarantees and/or to finance technical assistance and/or part of the investment costs. This blending of loans and grants can facilitate the preparation and implementation of projects (via technical assistance), improve the economic viability of a given project (via interest rate subsidies, loan guarantees and/or investment grants) and ensure greater social impact. On a much smaller scale, the Bank can also make grant contributions under the CEB's statutory priorities to provide emergency aid to refugees, migrants, displaced persons and victims of natural or ecological disasters, and other particularly vulnerable populations.

Grants can be allocated via the CEB's Social Dividend Account (SDA), the Migrant and Refugee Fund (MRF, see Box 2), the Spanish Social Cohesion Account (SCA), the Norway Trust Account for the Western Balkans (NTA) and the CEB's consultancy budget.

Grant assistance benefitting vulnerable populations has been allocated to projects implemented in the following CEB member countries:

- A significant number of projects have received **interest rate subsidies** from the SDA totalling almost 71 million.

  Projects for refugees and displaced populations in Bosnia and Herzegovina, Croatia, Lithuania, the Republic of Moldova and Serbia received subsidies totalling 18 million. These projects involved the (re)construction and provision of housing in the above-mentioned countries and the rehabilitation of war-damaged schools and healthcare facilities in Croatia.

  Projects in the sector of natural or ecological disasters benefitted from subsidies totalling 40 million for: i) post-disaster reconstruction works after floods in Bulgaria, Hungary, Romania, Serbia and after earthquakes in Slovenia and Turkey; and ii) preventive measures in Croatia, Hungary, Poland, Romania, Slovak Republic and Turkey.

  Housing projects in favour of vulnerable populations in Albania, Bulgaria, Hungary, Republic of Moldova, Romania and "the former Yugoslav Republic of Macedonia" (see Case Study 3) received subsidies totalling 10 million.

  In addition, subsidies totalling 2.6 million were allocated from the SDA to projects supporting child welfare protection in Romania (see Case Study 4).

- Other projects across CEB target countries have benefitted from grants totalling 5 million, allocated from the NTA and SCA, to finance **technical assistance** and/or part of the investment costs. A number of grant-funded activities by the NTA have also assisted the Western Balkan countries in their stabilisation process and institution building at both national and local levels.

- In response to the exceptional refugee crisis in Europe, the CEB provided a 2 million **loan guarantee** from the SDA to finance the creation of reception centres for asylum seekers arriving on the island of Lesbos in Greece. Additionally, a 1.5 million loan guarantee was provided from the SDA to support Roma inclusion in Romania (see Case Study 6).

- In addition, the CEB provided 13 million in the form of **grant contributions** from the SDA. The amount of 11 million was channelled in favour of grant projects for refugee, displaced and Roma populations in the Western Balkans and for displaced persons in Georgia. These projects were implemented by UNHCR, UNICEF and UNDP and mainly involved humanitarian aid, the reconstruction of damaged infrastructure (following the conflicts in the Western Balkans in the 1990s and in Georgia in August 2008), and the provision of micro-loans benefitting refugee and displaced populations. The remaining amount of 2 million went to projects, implemented by UNICEF and local NGOs, benefitting children and young adults in vulnerable situations in Bosnia and Herzegovina, Estonia, Republic of Moldova and Romania.

- Between October 2015 and October 2016, the CEB mobilised 18 million for MRF emergency projects (see Case Study 1) located in Croatia, Greece, Portugal, Serbia, Slovenia and "the former Yugoslav Republic of Macedonia" to assist the countries in meeting the most urgent needs of migrants and refugees arriving on their territory.

Box 2: The CEB's "Migrant and Refugee Fund"

The Migrant and Refugee Fund (MRF) is a trust fund, set up by the CEB in October 2015, to help its member states deal with migrant and refugee flows (see the CEB's MRF webpage).

The CEB endowed the MRF with 5 million in seed money, targeting additional grant contributions of 20-25 million from the Bank's member countries and other donors. As of October 2016, additional contributions of close to 14 million have been pledged.

The MRF's resources assist CEB member states in setting up and operating reception and transit centres. Other types of projects that facilitate the integration of migrants and refugees will also be eligible. All projects must comply with the European Convention on Human Rights and the European Social Charter.

The **Regional Housing Programme** (see Box 3), administered by the CEB, is another source of grant assistance and provides a telling example of international assistance and commitment to the sustainable resettlement of refugees and displaced persons in the Western Balkans.

Box 3: The Regional Housing Programme

Since 2010, the CEB has been actively involved in a joint initiative, called "The Joint Regional Programme on Durable Solutions for Refugees and Displaced Persons" known as the "Regional Housing Programme" (RHP), whose purpose is to provide a significant number of refugees and displaced persons with durable housing solutions in four Partner Countries: Bosnia and Herzegovina, Croatia, Montenegro and Serbia.

The aim of the programme, which is an integral part of the "Sarajevo Process on refugees and displaced persons", is to contribute to resolving the situation of the most vulnerable refugees and displaced persons following the 1991-1995 conflicts on the territory of former Yugoslavia, including internally displaced persons in Montenegro from 1999.

The RHP is supported by the international community, including the European Union, the United States of America, the UNHCR, the OSCE and the CEB. The total cost of the RHP is estimated at 584 million. By June 2015, the international community had pledged 268 million, including 230 million pledged by the European Union.

The CEB's main role is to manage the multi-donor RHP Fund and other related accounts (with contributions totalling 186 million as of October 2016) and to assist the Partner Countries in preparing and implementing their housing projects. The CEB also monitors the use of grants disbursed from the RHP Fund, facilitates coordination among stakeholders and manages the technical assistance financed by the European Union (see the CEB's Regional Housing Programme webpage).

The housing solutions to be provided include:

- Provision of flats and houses through building, reconstruction, renovation or purchase
- Provision of construction materials
- Accommodation in social welfare institutions

Refugees and internally displaced persons will be provided with the choice of either: voluntary return and reintegration in their place of origin, or integration in their current place of residence.

The RHP is an ambitious initiative in terms of its size and regional scope. The Programme will not only enable thousands of people to live in dignity at last, but, by fostering reconciliation between the Partner Countries, it will also contribute to peace and prosperity in the region.

2.3. Sectoral portfolio profile

In order to illustrate the diversity of CEB investments and analyse their social value, this section presents six Case Studies reflecting the various types of investment areas and the various groups of beneficiaries eligible for CEB financing:

Case Study 1: **From emergency response to longer-term migrant integration**

Case Study 2: **From reconstruction to disaster risk management**

Case Study 3: **Housing for vulnerable populations**

Case Study 4: **Access to education and healthcare infrastructure**

Case Study 5: **Financial inclusion of vulnerable groups**

Case Study 6: **Labour market inclusion of vulnerable groups**

Taking into consideration the priority given to social impact within CEB projects, the Case Studies mainly focus on the social effects of the projects, i.e. direct effects on the end-beneficiaries targeted in the projects. The result assessment focuses on the immediate effects generated by the projects, such as the number of dwellings or schools built/rehabilitated, the number of jobs created/preserved and the number of end-beneficiaries. Social effects are based on actual disbursements. These effects, taken from in-house operational documents, are provided by the borrower within the framework of regular monitoring of each project financed by the CEB. Upon completion, the borrower details the use of CEB funds and compliance with the pre-approved objectives, and provides information on the material and social results. The broader social outcomes of some of these projects have been assessed by the CEB's Evaluation Department. One of the key lessons learned from the CEB's experience in financing projects targeting vulnerable populations is that these projects are extremely complex and that it is vital to ensure the sustainability of successful results in the long run.

For each of the projects presented below, the year of its approval is indicated in brackets.

The Case Studies make no distinction between projects directly targeting vulnerable populations and projects more broadly targeted to socio-economically disadvantaged, vulnerable or diverse populations within multi-sector programmes.

Case study 1: From emergency response to longer-term migrant integration

FULL-TIME AID DELIVERY SYSTEM TO MIGRANT POPULATIONS IN SERBIA (2015)

Objective: to address the most urgent needs of the migrant population estimated at 1,200 residing in three reception centres in Belgrade, Pre evo and id

Beneficiaries: migrants and their families transiting through Serbia, originating from Syria, Afghanistan, Pakistan, Iraq, Iran, Ivory Coast and other countries devastated by wars, internal armed conflicts and/or extreme economic crisis

CEB grant support: 2.3 million, covering 100% of the total cost

Social effects:

The main purpose of this MRF grant is to improve living conditions for refugees and migrants in reception centres and to prevent a humanitarian crisis in the winter months.

A significant part of the grant was used to provide meals to refugees in three reception centres. With the MRF funds, the government was able to hire doctors and nurses and to purchase the necessary medical supplies to provide much needed medical care. The grant also covers day-to-day running costs of the centres and improvements in living conditions, including the provision of sanitary facilities.

In addition to providing immediate assistance, the grant has also strengthened the capacity of the Ministry of Labour, Employment, Veteran and Social Affairs to coordinate the emergency measures among the multiple national and international parties involved.

SHELTER AND TRANSPORT FOR MIGRANTS IN SLOVENIA (2015)

Objective: i) to ensure shelter for refugees and migrants by increasing the existing reception and accommodation capacities and ii) to expand transportation capacities

Beneficiaries: migrants and their families transiting through Slovenia, originating from Syria, Afghanistan, Pakistan, Iraq, Iran, Ivory Coast and other countries devastated by wars, internal armed conflicts and/or extreme economic crisis

CEB grant support: 1.5 million, covering 100% of the total cost

Social effects:

This MRF grant financed the purchase of 100 heated modular units which provide more appropriate shelter than tents in cold weather. The modular units were accompanied by mobile toilets to improve hygiene conditions. In addition, the procurement of 10 vehicles facilitated the transportation of migrants and refugees according to the needs and availability of shelter. The grant also covered urgent needs such as food, clothing, beds, blankets, sheets, sleeping bags, heating devices for existing centres and transportation from reception to accommodation facilities.

These grant activities support countries' efforts to ensure that migrants and refugees who arrive on their territory enjoy basic human rights such as shelter, food and medical aid, as well as personal security.

SOCIAL INTEGRATION THROUGH HOUSING IN FRANCE (2015)

Objective: the rehabilitation and retrofitting of Adoma's housing stock

Borrower: Adoma

Beneficiaries: immigrant workers, the homeless, asylum seekers and vulnerable households in hardship

CEB loan: 100 million, covering 33% of the total cost of 307 million
The planned implementation period for the project is 2015-2021.

Social effects:

Social integration through housing is a public-interest mission fostering social cohesion. The programme will improve housing conditions for people who have difficulty in gaining access to ordinary housing. Adoma is the leading landlord for first-level social housing in France and a major housing provider for those with the greatest difficulty in finding adequate accommodation: young people entering the job market, job-seekers and single workers on low incomes, individuals on minimum social benefits, single-parent families and retired immigrant workers. Adoma's housing stock includes hostels for immigrant workers, temporary furnished social housing, boarding houses, reception centres for asylum-seekers, emergency and regular accommodation centres, representing a total of 70,000 dwellings.

The programme financed by the CEB will focus on four areas:

- Providing appropriate services to help retired immigrant workers to stay in their homes
- Rehabilitating and retrofitting housing for people in hardship
- Developing suitable housing for young people in insecure employment in marginalised areas
- Expanding accommodation for asylum seekers, the homeless and travellers.

MUNICIPAL INFRASTRUCTURE PROGRAMME HESSE, GERMANY (2016)

Objective: the construction, renovation, refurbishing and conversion of buildings and related infrastructure for rented social housing throughout Hesse, especially in high-rent regions

Borrower: Wirtschafts- und Infrastrukturbank Hessen (WIBank)

Beneficiaries: low-income households, including migrants and refugees

CEB loan: 230 million, covering 32% of the total cost of 715.5 million
The planned implementation period for the project is 2016-2019.

Social effects:

In addition to promoting long-term and sustainable infrastructure investments in financially weak municipalities, the programme is aimed at enabling all Hessian municipalities to maintain, renovate, expand or scale down their local public infrastructure as necessary in order to provide essential public services efficiently and reliably. Public infrastructure expansion will focus on handling current challenges such as the creation of affordable housing and the accommodation of refugees. In addition, trend-setting topics for the future such as education and care, expansion of broadband networks, mobility and the removal of barriers will be incentivised.

The sub-projects ensure the continued provision of affordable dwellings for the local population, counteracting the declining supply for low-income households. Furthermore, they are an instrument for municipalities to support young families and the elderly, stabilise social hotspots, integrate migrants and avoid segregation. Energy efficiency improvements reduce utility bills and total housing costs for low-income households. The programme is also expected to substitute sub-standard first-level accommodation for migrants with long-term accommodation at standard quality levels. This will further improve the integration of refugees and migrants. Finally, as a side-effect, each sub-project will also support the local economy with positive consequences in terms of employment.

Case study 2: From reconstruction to disaster risk management

POST-EARTHQUAKE HOUSING RECONSTRUCTION IN TURKEY (1999)

Objective: the reconstruction of 17,700 housing units either destroyed or seriously damaged by the earthquake that occurred in the Marmara region in August 1999. This project involved the reconstruction of 25,900 dwellings in urban and rural areas, of which some 17,700 units (68%) were financed by the CEB.

Borrower: the Ministry of Public Works and Settlements

Beneficiaries: victims of the earthquake in the Marmara region in August 1999

CEB loan: US$ 324 million, covering 70% of the total cost of US$ 465 million
Within this project, Turkey received considerable international financial support and technical assistance, particularly from the World Bank.

Social effects:

The project benefitted families located in the areas most affected by the earthquake. The project provided 17,700 units and benefitted some 82,000 quake victims who were displaced or were living in tents or camps. By adopting and enforcing land use plans and building codes in accordance with anti-seismic standards, the reconstructed houses are of better quality and more resistant to earthquakes.

FIRE PREVENTION IN CASTILLA Y LEÓN (2011)

Objective: With the overall aim of achieving compliance with EU environmental and water directives for Castilla y León, this multi-sector scheme includes the following components:
Component 1: the prevention of wildfire through silvicultural treatment (clean-up of forests) and measures to stop fire extension such as diversification (type of trees), the creation of discontinuities (silvicultural cutting with forest compartmentation), and a reduction in combustible material. Investments also included heavy and light equipment, civil works and signalisation.
Component 2: the renovation of water distribution and wastewater treatment facilities.

Borrower: Junta de Castilla y León

Beneficiaries: inhabitants of the Castilla y León region

CEB loan: 100 million, covering 48% of the total cost of 208 million
The CEB loan was disbursed between 2012 and 2014 and co-financed by the EIB.

Social and environmental effects:

The whole population of Castilla y León (2 million inhabitants) stood to benefit from the fire prevention component as fires could randomly destroy large areas of forest in the region. Some direct beneficiaries (estimated by the borrower at 250,000 inhabitants) included workers and villagers concerned by fire prevention treatments in rural areas and inhabitants connected to new or renovated water supplies and wastewater treatment facilities. Under component 2, the main social impact came from reduced health problems caused by polluted water. New water supply systems ensure that good quality water is provided to persons that did not have a proper system (i.e. the use of wells of non-reliable water) or who did not have a system guaranteeing sufficient quality.

Under component 1, the environmental impact was largely positive: the silvicultural treatments not only reduced fires, but also enhanced biodiversity and adaptability to climate change in the forest areas of Castilla y León. Under component 2, wastewater treatment improved the environmental conditions of the ground and surface water. In addition, as a result of this investment, the extended system of water supply provides water from reliable sources and avoids pumping from wells that could deplete ground water, thus preserving a valuable resource.

Case study 3: Housing for vulnerable populations

RENTAL HOUSING FOR THE ELDERLY IN DENMARK (2002, 2005-2007)

Objective: the construction and rehabilitation of some 6,500 public state-subsidised rental housing units for the elderly within the framework of the national social welfare programme.

Borrower: KommuneKredit, Copenhagen

Beneficiaries: Danish municipalities and regions providing housing for the elderly on their territory

CEB loan: 400 million approved in four loans (for 100 million each) in 2002, 2005, 2006 and 2007, covering 32% of the total cost of 1.27 billion (based on aggregate amounts). The programme was implemented between 2002 and 2009. The fourth loan was financed in 2007 in conjunction with the EIB.

Social effects:

The programme helped build and rehabilitate some 6,500 rental housing units benefitting some 10,000 seniors, in the form of sheltered housing, residences providing services and care, and nursing facilities for the most dependent elderly. Final beneficiaries were selected by the municipalities responsible for carrying out a selection on the basis of the individual needs, including health situations and special care needs, in accordance with the general criteria applicable concerning their ability to live alone in a flat or a house. Most housing units had a surface area of 65 sq. m or less as this was the maximum size that entitled the tenant to obtain an individual housing benefit. Irrespective of its typology, the average cost per dwelling provided varied slightly, from 144,000 to 160,000, mainly reflecting the difference between construction and renovation investments.

ROMA INTEGRATION IN HUNGARY (2005)

Objective: the social integration of Roma by addressing the serious housing, education, health and employment problems of the Roma community. Investments were concentrated on the improvement of housing conditions and related social and technical infrastructure.

Borrower: the Ministry of Finance

Beneficiaries: Roma families living in segregated settlements

CEB loan: 5 million, covering 78% of the total cost of 6.4 million
The project was implemented between 2005 and 2009.

CEB grant support: 200,000 allocated in the form of interest-rate subsidies from the SDA

Social effects:

The "housing component" (87% of CEB loan proceeds) was implemented for the benefit of nearly 950 Roma families in 36 municipalities, where segregated settlement problems were the most serious. Additionally, some members of Roma civil society and minority self-governments benefitted from capacity building. By addressing the multi-dimensional problems that Roma were faced with, the project provided tangible improvements in the housing conditions of Roma families. The project implementers tried a multi-sector approach, involving many actors and creating partnerships between local governments, Roma organisations and NGOs, as well as combining domestic and international financing sources.

SOCIAL HOUSING IN BELGIUM (2009, 2011)

Objective: the provision of some 3,000 mortgage loans in the form of "social mortgages" for the purchase, construction or renovation of principal residences and zero-interest *éco-prêts*, i.e. "green loans" for energy-efficiency investments in social dwellings

Borrower: Fonds du Logement des Familles Nombreuses de Wallonie (FLW)

Beneficiaries: large low-income families with at least three children in Wallonia

CEB loan:

- Approved in 2009, 50 million, covering 50% of the total cost of 100 million
- Approved in 2011, 80 million, covering 50% of the total cost of 160 million

The programme was implemented between 2009 and 2013.

Social effects:

A total of 2,535 large families living on low incomes benefitted from 2,130 social mortgages and 710 green loans. This financing helped provide decent, affordable and energy-efficient dwellings to vulnerable families, 54% of whom used to live in insalubrious dwellings and 21% in overcrowded ones. The programme also helped address the issue of fuel poverty and improve the energy efficiency of housing in Wallonia.

HOUSING FOR VULNERABLE GROUPS IN "THE FORMER YUGOSLAV REPUBLIC OF MACEDONIA" (2009)

Objective: the construction of around 1,700 public rental housing units for specific vulnerable persons, i.e. economically weak households, socially endangered or having dependent household members, living on low incomes, who are entitled to housing under the Law on Social Protection

Borrower: the Ministry of Finance

Beneficiaries: orphans, or children not in parental care, attaining the legal age for leaving institutional care; long-term unemployed and welfare recipients; residents of areas affected by natural disasters; dependent or disabled persons and households with such members; socially threatened Roma; single parents with children under the age of adulthood and blind persons

CEB loan: 25.35 million, covering 50% of the total cost of 50.7 million

CEB grant support: 2 million allocated in the form of interest-rate subsidies from the SDA
Under implementation since 2008, the project is expected to be completed in 2018.

Social effects:

This project aims to improve social integration in the country by satisfying the crucial need for basic housing for persons in the most vulnerable segments of the population. Without this project, approximately 6,000 persons would never gain access to housing, thus putting them at risk of social exclusion. As of June 2016, housing units were allocated to 1,778 socially vulnerable persons or 558 families, including mainly welfare recipients and Roma families living in peripheral urban areas.

Municipalities select the final beneficiaries on the basis of the housing needs of each group targeted by the project and establish the number of apartments that proportionally should be available for each. The procedure is announced in the media and is public. Upon final allocation, lease contracts are concluded between the project implementing (public) agency and the beneficiaries; contracts specify inter alia the amount of rent and the five-year lease duration.

Case study 4: Access to education and healthcare infrastructure

SUPPORTING THE VOLUNTARY SECTOR IN FRANCE (2007-2015)

Objective: modernisation and increased accessibility of public infrastructure, including social care infrastructure and facilities, purchase of equipment; renovation of educational infrastructure and facilities for children and young people

Borrower: Crédit Coopératif

Beneficiaries: voluntary public interest associations and foundations serving the needs of people made vulnerable by their economic situation, disability (minors and young adults) or old age (dependent elderly)

CEB loan: 500 million approved in five loans in 2007, 2009, 2010, 2013 and 2015, covering 50% of the total cost of 1 billion (based on aggregate amounts)

Social effects:

The voluntary sector in France forms an integral part of the solidarity-based economy and plays a decisive role in the social care and education fields. Crédit Coopératif, together with its 70 branches across the country, is a major player in the French social and solidarity-based economy. CEB funding to Crédit Coopératif ensure that vital services will be provided to persons with disabilities or in ill-health, dependent elderly, young persons in precarious social situations and other vulnerable groups.

THE SOCIAL-LABOUR INTEGRATION OF MIGRANTS AND OTHER VULNERABLE POPULATIONS IN SPAIN (2012)

Objective: improved access to education and health services for excluded social groups and enhanced employability and labour insertion capacity for people with particular difficulties in finding a job, in order to facilitate their social integration

Borrower: CaixaBank (for on-lending to La Caixa Obra Social)

Beneficiaries: vulnerable and marginalised population groups, including immigrants, victims of domestic violence, the elderly and people with disabilities

CEB loan: 100 million, covering 22% of the total cost of 450 million

Social effects:

La Caixa Obra Social developed social programmes and implemented them throughout Spain either directly through its Foundation or in co-operation with partner organisations and institutions, including local and regional administrations. Between 2012 and 2014, the CEB partially financed eligible social programmes based on its criteria for the "aid to refugees, migrants and displaced persons" (88% of the total) and the "creation and preservation of viable jobs" (12% of the total) sectors of action.

The co-financed programmes consisted of the following components:

- Component A (39% of the total): Education and Integration into Work, targeting people at risk of social exclusion, such as children in vulnerable situations, or people at risk of marginalisation or already suffering from it, such as those aged over 45, immigrants, women victims of violence and inmates serving the last phase of their sentences.
- Component B (15% of the total): Improved Access to Healthcare Services, targeting elderly dependent persons, patients suffering from serious illnesses, as well as young people and educational, social and health centre professionals.
- Component C (46% of the total): Poverty Reduction and Social Inclusion, targeting newly created social companies, victims of gender-based violence (together with the general public) and, in the case of intercultural community actions, infants, young persons and families.

DEVELOPMENT OF COMMUNITY-BASED CENTRES IN LITHUANIA (1999)

Objective: the rehabilitation of 10 centres for disabled people, the elderly, abandoned or abused children

Borrower: the Ministry of Finance

Beneficiaries: physically and mentally handicapped persons, elderly persons and children at risk

CEB loan: 2.3 million, covering 50% of the total cost of 4.6 million

Social effects:

The social impact of this project was very high as it contributed significantly to improving the well-being and social integration of vulnerable groups of population The project provided social assistance and community-based services to around 1,000 highly vulnerable and dependent groups. These services were designed to avoid the institutionalisation of these groups and, when possible, to help them find jobs and occupations.

CHILD WELFARE AND PROTECTION IN ROMANIA (1997, 2004, 2006)

Objective: 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 (1997); (ii) creation of 14 residential 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 (2004), (i)-(ii) in co-operation with the World Bank; (iii) development of community-based services aimed at preventing child separation from the family (2006)

Borrower: the Ministry of Finance

Beneficiaries: children in vulnerable situations

CEB loan:

- Approved in 1997, 10 million, covering 50% of the total cost of 20 million
- Approved in 2003, 3.3 million, covering 69% of the total cost of 4.8 million
- Approved in 2006, 10 million, covering 70% of the total cost of 14.3 million

CEB grant support: 2.6 million allocated in the form of interest-rate subsidies from the SDA

Social effects:

The first project focused on the protection of abandoned children placed in institutions who were living in pitiful conditions. The CEB financed the conversion of large orphanages into 165 community service institutions. The second project addressed the specific issue of street children (including drug addicts). The CEB financed 14 residential centres (out of the 20 initially planned) and trained 134 staff for a total cost of 4.6 million with CEB financing representing 57% or 2.6 million. While the second project provided support for abandoned children by creating residential centres at the county level, the third project aimed at supporting the decentralisation of child welfare services to local governments (cities, towns and communes) by establishing small day care centres that can provide counselling and activities promoting the prevention of child abandonment and neglect. In June 2016, the third project was still under implementation with reduced expectations in terms of output (around 100 centres against 200 planned), due to changes in institutional arrangements and the organisation of child welfare services, and a lack of technical capacity and financial resources at local level. The planned training component for social workers will be organised once most of the planned centres are operational. The third project is expected to be completed by end 2016.

Case study 5: Financial inclusion of vulnerable groups

FINANCIAL AND SOCIAL INCLUSION OF VULNERABLE GROUPS IN ITALY (2013)

Objective: business lending to micro-firms, mostly of migrant origin and excluded from traditional banking channels, for the purpose of creating jobs and helping financial inclusion

Borrower: PerMicro

Beneficiaries: small entrepreneurs from socially vulnerable backgrounds (mostly of migrant origin)

CEB loan: 6 million, covering 24% of the total cost of 25 million

Social effects:

Set up in Turin in 2007, PerMicro is a non-bank financial institution in Italy that contributes to the financial inclusion of the most vulnerable groups in society, especially immigrants, by delivering microcredits and doing so in a financially sound manner and on a self-sustaining basis. PerMicro targets persons on low incomes, resident immigrants and ethnic minorities who have limited or no access to the formal banking system due to their low income levels, ethnic backgrounds or origins.

The project is contributing to job creation in Italy through the provision of microcredits to entrepreneurs for the start-up or development of their enterprises ("business microcredits"). With this project, PerMicro is mainly targeting aspiring entrepreneurs operating in the geographic areas reached by its 12 branch offices in 10 Italian regions. Furthermore, this project is supporting an ambitious and highly social initiative to enhance access to credit for vulnerable groups and, in so doing, the transition of clients from the grey to the formal economy. As at June 2016, PerMicro had financed 233 micro-firms with the first tranche of the CEB loan (2.85 million disbursed in June 2014). The second tranche of 3.15 million was disbursed in September 2015 and the project is expected to be completed by end-2016.

FINANCIAL, SOCIAL AND FAMILY MICROCREDITS IN SPAIN (2008, 2009, 2011)

Objective: job creation and self-employment via access to microcredits for vulnerable persons or families with limited or no access to the formal banking sector

Borrower: Nuevo MicroBank

Beneficiaries: micro-firms and vulnerable individuals

CEB loan:

- Approved in 2008, 30 million, covering 50% of the total cost of 60 million
- Approved in 2009, 50 million, covering 50% of the total cost of 100 million
- Approved in 2011, 100 million, covering 50% of the total cost of 200 million

Social effects:

The social and economic impact of the projects is wider than just the direct job creation element as it includes the benefits of improving access to credit for hitherto excluded target groups, such as immigrants or disabled persons, by providing them with means to meet their essential needs and to improve their standard of living and security. Within the three CEB-financed projects, more than 38,000 microcredits were granted between 2008 and 2012, 15,000 jobs were created and 26,500 jobs were preserved. More than 5,200 microcredits totalling 15 million went to entrepreneurs whose country of origin was not Spain. Financial and social microcredits went to self-employed or micro-business entrepreneurs to expand an already existing business or launch a new one. Most of the supported businesses were in the service sector (such as catering, health and beauty-related services, services to companies or construction). Some of the microcredits were for family assistance to meet needs arising from one-off or unforeseen situations.

Case study 6: Labour market inclusion of vulnerable groups

ACCESS TO JOBS IN SPAIN FOR ROMA YOUTH (2001, 2010)

Objective: the development of the necessary skills for Roma people to meet labour market requirements, mainly through vocational training, counselling and related services (known as the ACCEDER programme), in order to facilitate their social integration

Borrower: Bankia (for on-lending to Fundación Secretariado Gitano)

Beneficiaries: Roma community, mostly young people under the age of 30 and women, and to a lesser extent, immigrants, the disabled and the most excluded individuals

CEB loan:

- Approved in 2001, 4.2 million, covering 11% of the total cost of 40 million
- Approved in 2010, 8 million, covering 36% of the total cost of 22 million

Social effects:

Created in 2000, ACCEDER is a labour mediation programme whose objective is to achieve the effective integration of the Roma and other vulnerable populations in employment. Gaining access to the labour market is the gateway to social inclusion and equal opportunity for the Roma community and other vulnerable groups. The programme has been financed on a grant basis by the European Social Fund, the Spanish Government and regional/local authorities. The CEB provided bridge-financing to Fundación Secretariado Gitano (FSG) so that FSG can pre-finance activities that are later financed by the ESF grant funds (after reception of the billing documentation).

Between 2002 and June 2003, the first CEB financing within the ACCEDER programme helped participants secure over 6,000 labour contracts. Between 2010 and August 2012, the second CEB financing facilitated the creation of 18,196 customised employment initiatives all over Spain, with 65% in favour of the Roma population. 6,804 candidates were trained within the same period, 76% of them were Roma and 56% women. In addition, 6,211 persons were recruited in the same period, 65% of them Roma and 62% women. The number of contracts signed was reported to be 10,636.

ROMA INCLUSION IN ROMANIA (2013)

Objective: better education outcomes and better employability and insertion in labour markets for Roma youths in Romania in order to facilitate their social integration

Borrower: Roma Education Fund (REF) Hungary

Beneficiaries: Roma children and youths

CEB loan: 1.5 million, covering 63% of the total cost of 2.4 million
The planned implementation period is from 2013 to 2016.

Social effects:

CEB funds are playing an important role in supporting the smooth implementation of EU-funded activities that promote Roma inclusion in Romania. They cover activities implemented by REF Romania (and partner NGOs) and are used to bridge financing from the European Social Fund (ESF) which is usually paid with a delay of up to 18 months. Such delays, experienced by many NGOs, in receiving the reimbursements relating to EU-funded projects, puts many of them at risk of failure to meet their financial obligations thereby putting at risk their overall activity. By making available additional resources to fill the financial gaps, the CEB is making a significant contribution to promoting the continuity of operations and, in some cases, the survival of the different actors involved.

PART 2: DRIVERS OF AND TRENDS IN VULNERABILITY

Part 2 explores the multidimensional nature of vulnerability and its impacts on the different segments of the population across CEB member countries. In so doing, it follows the CEB's definition of vulnerability provided in Chapter 1 and assesses the recent trends in and clusters of vulnerability across CEB countries triggered by the various economic, social and environmental risk factors. By taking such a "segmented" approach, this Part reveals the diversity of risks and stress factors that generate vulnerability in its many forms. These dimensions are neither exhaustive (others may exist) nor mutually exclusive (since the different risk factors can interact and lead to cumulative situations of vulnerability, thus compromising people's resilience). This Part also shows how personal and community dynamics increase or diminish the reasons for falling into vulnerability.

Chapter 3 presents insufficient and unstable income as the most common trigger of financial hardship that can lead to vulnerability. Income limitations create a situation in which individuals, living alone or in a household, have to make decisions on a day-to-day basis to meet their most pressing needs such as food, housing, transport, utilities and care. In this chapter, job loss is described as one of the key sources of financial vulnerability and housing instability is presented as one of its basic manifestations.

Chapter 4 looks at additional risk factors related to age, ethnicity, illness and disability that can lead to vulnerability or worsen an already existing vulnerability. One important finding is that these groups are generally affected by financial hardship, which either exacerbates their vulnerability or can contribute to developing the risk of vulnerability later in their lifecycle and/or to transmitting (the risk of) vulnerability to next generations.

Chapter 5 then examines the particular challenges faced by immigrants who can be at greater risk of vulnerability than non-migrants for various reasons: access or eligibility to social security benefits available in the host country when they become unemployed or experience poverty; access to healthcare; lack of appropriate documentation; lack of family or other social support in the country where they experience poverty; discrimination in housing and employment markets; lack of information regarding the services and support available in the host country; language; and pre-existing vulnerabilities that may have led them to leave their country of origin.

Chapter 6 explores vulnerability in the climate change context in which the assessment takes on a more specifically forward-looking approach, using information from the present to point to weaknesses that could potentially have an impact on a given context in the future. This chapter maps out the geographical patterns for climate-related investment across CEB member countries. It starts by identifying how different regions across CEB countries will be affected by climate pressures and then links the projected impacts with potential demand.

In each chapter, possible areas for CEB action are described in response to the different trends and challenges.

Chapter 3: Income as a driver of vulnerability

This chapter looks at insufficient and unstable income as the most common trigger of financial hardship that can lead to vulnerability. Income limitations create a situation in which individuals, living alone or in a household, have to make decisions on a day-to-day basis to meet their most pressing needs such as food, housing, transport, utilities and care. In this chapter, job loss is described as one of the key sources of financial vulnerability and housing instability is presented as one of its basic manifestations.

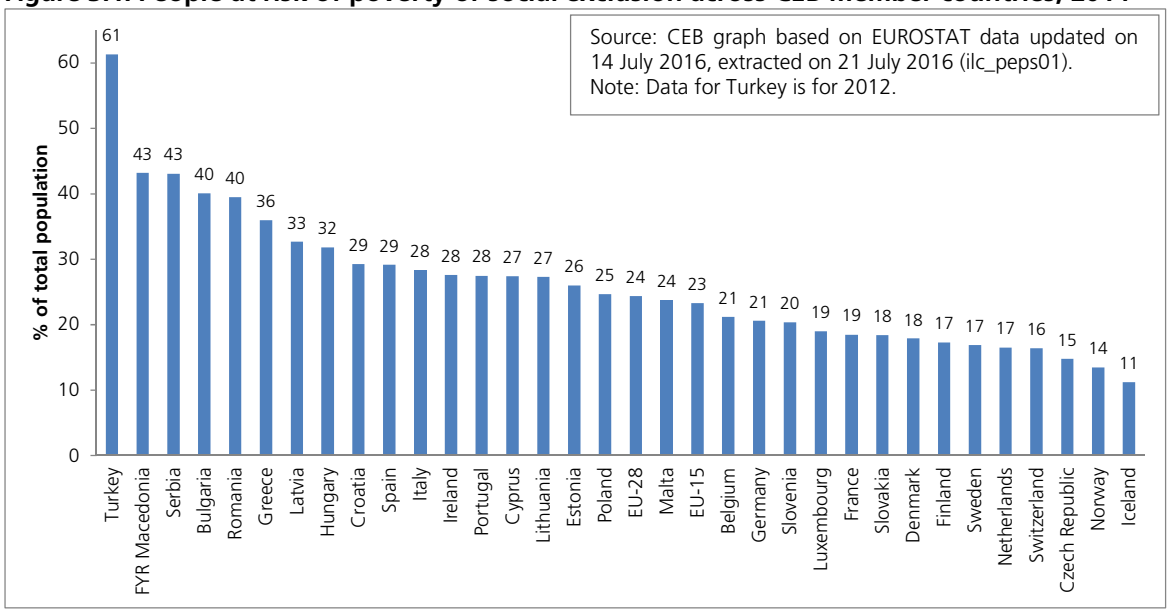
3.1. Poverty

Although poverty has many dimensions and manifestations, its roots lie mostly in financial hardship: poverty means a reduced or complete lack of access to the resources needed to satisfy basic needs. Poverty harms individual lives and limits the opportunities for people to achieve their full potential by affecting their well-being. This, in turn, can further increase the risk of poverty. Without effective educational, health, social and employment systems, the risk of poverty is passed from one generation to the next, thus becoming intergenerational disadvantage. This creates more inequality, which can lead to long-term loss of economic productivity for whole groups of society and therefore hamper inclusive growth.

In identifying vulnerable individuals, the European Commission uses the resource-based concept of "at risk of poverty or social exclusion" (AROPE). This concept refers to the situation of people either at risk of poverty after social transfers (so-called income poverty) or severely materially deprived or living in a household with a very low work intensity. The AROPE rate, the share of the total population which is at risk of poverty or social exclusion, is the headline indicator for monitoring the EU 2020 Strategy poverty target[2]. In 2014, 122 million people or 24% (see Figure 3.1) of the population in the EU-28 were at risk of poverty or social exclusion. Across 41 CEB member countries, around 170 million people or 30% of the population were at risk of poverty or social exclusion in 2014.

Some groups of the population are at a higher risk of poverty and social exclusion. According to Eurostat[3], the most affected are women, children, young people, the unemployed, single-parent households and those living alone, people with lower educational attainment, people born in a different country than the one they reside in, people out of work and, in a majority of member states, those living in rural areas. Of all these groups, the unemployed faced the greatest risk of poverty or social exclusion (67% in 2014), followed by single parents (48% in 2014) and people living in the EU but born in a non EU-28 country (40% in 2014). This shows that the extent to which members of a household have the opportunity to work is a very relevant factor in determining poverty or social exclusion.

Figure 3.1: People at risk of poverty or social exclusion across CEB member countries, 2014



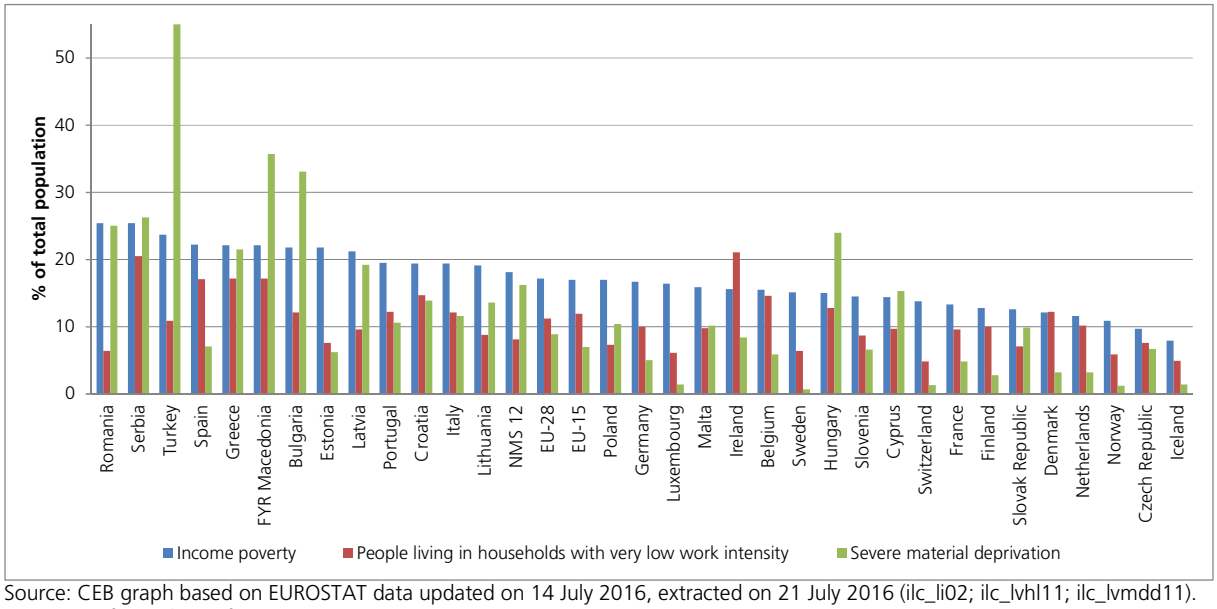
[2] One of the five headline targets of the Europe 2020 headline indicators is to reduce poverty by lifting at least 20 million people out of the risk of poverty or social exclusion by 2020.
[3] Source: Eurostat Statistics Explained, Europe 2020 indicators - poverty and social exclusion, March 2016

The at-risk-of-poverty-or-social-exclusion figure for the EU-28 average, calculated as a weighted average of national results, masks considerable variations between EU member states. In 2014, more than a third of the population was at risk of poverty or social exclusion in three EU member states: Romania (40%), Bulgaria (40%) and Greece (36%). At the other end of the scale, the lowest shares of persons at risk of poverty or social exclusion were recorded in Finland, Sweden (17%), the Netherlands (16.5%) and the Czech Republic (15%). Across CEB member countries, variations were even wider: the at-risk-of-poverty-or-social-exclusion figure was highest in Turkey (61%), "the former Yugoslav Republic of Macedonia" and Serbia (43%) and lowest in Norway (14%) and Iceland (11%).

Looking at each of the three elements (see Figure 3.2) contributing to being at risk of poverty or social exclusion:

- **Monetary (or income) poverty** is the most widespread form of poverty in the EU. 17% of the population in the EU-28 in 2014 were at risk of income poverty (i.e. after social transfers), meaning that their disposable income was below their national at-risk-of-poverty threshold. The highest income poverty rates were observed in Romania (25%), Turkey (24%), Spain, Greece, Bulgaria, "the former Yugoslav Republic of Macedonia" and Estonia (22%) and lowest in Finland, Slovak Republic (13%), Denmark, the Netherlands (12%), the Czech Republic (10%) and Iceland (8%). It is important to note that the at-risk-of-poverty rate is a relative measure of poverty and that the poverty threshold varies greatly between countries.
- 11% of the population in the EU-28 in 2014 lived in **households with very low work intensity**[4].
  In 2014, the situation at country level was as follows: Ireland and Serbia (21%), Greece, Spain and "the former Yugoslav Republic of Macedonia" (17%), Croatia and Belgium (15%) were the member states with the highest proportion of households with very low work intensity, while Poland, Slovak Republic (7%), Romania, Sweden and Luxembourg (6%) and Switzerland (5%) recorded the lowest proportions.
- 9% of the population in the EU-28 in 2014 was **severely materially deprived**[5].
  The share of those severely materially deprived varied significantly among CEB countries. On the one hand, 3% in the Netherlands and Denmark, 2.8% in Finland, 1.4% in Luxembourg, 1.3% in Switzerland and only 0.7% of the population in Sweden was severely deprived. On the other hand, the deprivation rate was 55% in Turkey, 36% in "the former Yugoslav Republic of Macedonia", 33% in Bulgaria and 26% in Romania and Serbia.

Figure 3.2: Income poverty, work intensity and material deprivation across CEB countries, 2014



Source: CEB graph based on EUROSTAT data updated on 14 July 2016, extracted on 21 July 2016 (ilc_li02; ilc_lvhl11; ilc_lvmdd11).
Note: Data for Turkey is for 2012.

[4] People living in households with very low work intensity are defined as people aged from 0 to 59 years living in households where the adults (those aged 18-59, but excluding students aged 18-24) worked less than 20% of their total potential during the previous 12 months.

[5] Material deprivation rates complement the social exclusion picture by providing an estimate of the proportion of people whose living conditions are severely affected by a lack of resources. The severe material deprivation rate represents the proportion of people who cannot afford at least four of the nine following items: 1. having arrears on mortgage or rent payments, utility bills, hire purchase instalments or other loan payments; 2. being able to afford one week's annual holiday away from home; 3. being able to afford a meal with meat, chicken, fish (or vegetarian equivalent) every second day; 4. being able to face unexpected financial expenses; 5. being able to buy a telephone (including mobile phone); 6. being able to buy a colour television; 7. being able to buy a washing machine; 8. being able to buy a car; 9. being able to afford heating to keep the house warm.

3.2. Unemployment

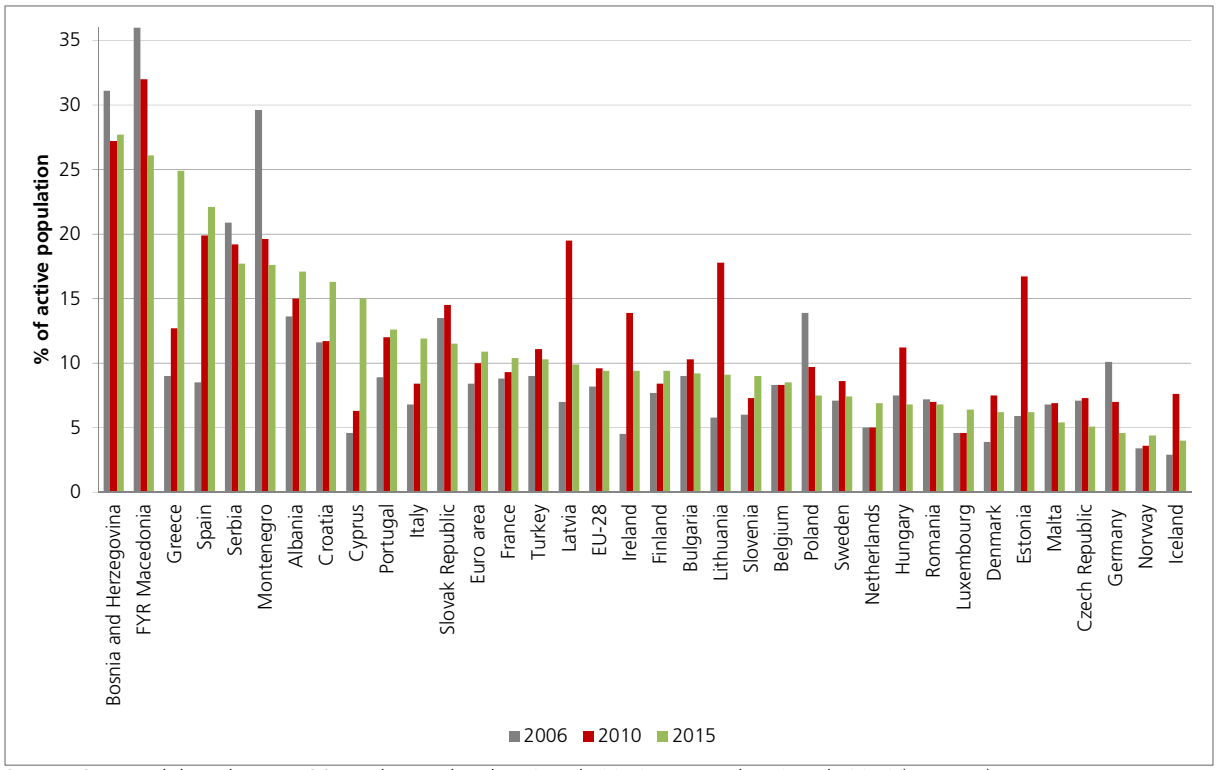
One of the main causes of poverty (and benefit dependency) is unemployment, especially in the long term. Employment has long been identified as a significant pillar of social inclusion. It helps lift people out of poverty, (re)integrates marginalised or socially excluded populations and contributes to social cohesion within communities. The risk of unemployment is significantly higher amongst the most vulnerable households who have low skill levels, live in insecure housing, or suffer from poor health or mental health problems. Because vulnerable households face such multiple challenges, employment support alone is often insufficient to effectively facilitate their re-integration into the labour market[6].

The vestiges of the 2008 financial crisis are still keenly felt across Europe and the need to address the significant economic disequilibria and related long-lasting deterioration in the social situation, particularly in terms of unemployment (see Figure 3.3), remains a pressing challenge in most of the Bank's member states. The crisis has deeply affected the employment situation and quality of employment in the region.

In 2015, the lowest annual unemployment rates were recorded in Iceland (4%), Norway (4.4%), Germany (4.6%) and the Czech Republic (5%). The highest rates were observed in Bosnia and Herzegovina (28%), "the former Yugoslav Republic of Macedonia" (26%), Greece (25%) and Spain (22%). Compared with pre-crisis levels recorded in 2006, the unemployment rates have increased in most of CEB countries but have been gradually decreasing since 2010. The exceptions to this improvement are Greece, Spain, Portugal, Italy, France, Croatia, Cyprus and Albania. Overall, unemployment is expected to decline only gradually, with substantial disparities between CEB member states.

The unemployment rate is an important indicator because of its social and economic dimensions. Unemployment results in a loss of income for individuals, increased pressure with respect to government spending on social benefits and a reduction in tax revenue. From an economic perspective, unemployment may be viewed as unused labour capacity. Apart from its financial and social effects on personal life, unemployment negatively affects social cohesion and, ultimately, may hinder economic growth.

Figure 3.3: Unemployment rates across CEB member countries, 2006, 2010 and 2015

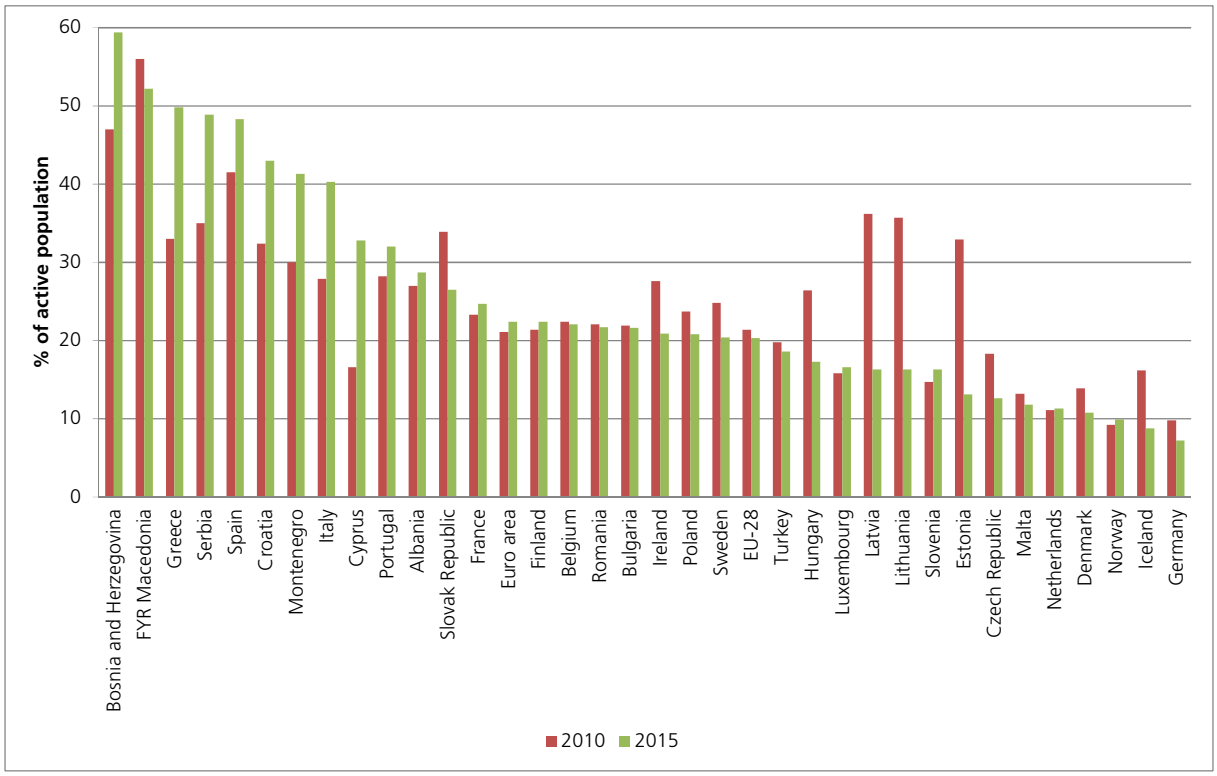


Source: CEB graph based on EUROSTAT data updated on 21 July 2016, extracted on 25 July 2016 (une_rt_a).
Note: Unemployment rates for Albania, Bosnia and Herzegovina, Montenegro and Serbia are based on national LFS data, extracted from the WIIW Forecast Reports 2008, 2011 and 2016.

[6] Source: OECD (2015), Integrating Social Services for Vulnerable Groups: Bridging Sectors for Better Service Delivery, OECD Publishing, Paris

Structural, long-term and youth unemployment rates (see Figure 3.4) are high in many economies, with vast discrepancies among CEB countries. Youth unemployment rates are generally much higher than unemployment rates for all ages, sometimes doubling or more. Persistently high rates of youth unemployment are of particularly concern because they can lead not only to skill attrition and damaging effects but also to emigration of skilled labour bringing with it a greater risk of lower potential output and higher structural unemployment in the domestic economy.

Figure 3.4: Youth unemployment rates across CEB member countries, 2010 and 2015



Source: CEB graph based on EUROSTAT data updated on 21 July 2016, extracted on 25 July 2016 (une_rt_a).
Note: Youth unemployment rates for Albania, Bosnia and Herzegovina, Montenegro and Serbia are based on national LFS data from 2008 and 2013, extracted from the WIIW Research Report 411, June 2016.

The youth unemployment rate in the EU-28 was more than double the overall unemployment rate in 2015. At 20%, one out of every five young persons (15-24) in the EU labour force was not employed, but looking and available for a job. Youth unemployment rates were higher than the rate for those aged between 25 and 74 in all CEB member States. In Bosnia and Herzegovina (59%), "the former Yugoslav Republic of Macedonia" (52%), Greece (50%), Serbia (49%), Spain (48%), Croatia (43%), Italy (40%), Cyprus (33%) and Portugal (32%), youth unemployment rates were particularly high and much higher than in 2010. Germany, Iceland and Norway were the only CEB member states with a youth unemployment rate below 10%.

With the aim of creating and preserving viable jobs and thus promoting sustainable growth and social inclusion, the CEB supports micro, small- and medium-sized enterprises (MSMEs) in its member countries. It does so by acknowledging their significant net job generation capacity. The CEB provides medium- and long-term, thus stable, lending to intermediaries and final beneficiaries which tend to be underserved and/or credit rationed by the private sector. The CEB thus acts directly upon market imperfections and supports with financing not only traditional banks, but also micro-finance providers and leasing companies. This increases the availability and affordability of external financing for MSMEs and fosters the development of deeper and more inclusive financial sectors across its member countries.

What makes CEB support distinctive is that it tends to target disadvantaged regions and underserved and socially excluded populations such as women and immigrants. In this respect, the CEB can also support the development of the necessary skills in terms of labour market requirements, mainly through vocational training, counselling and related services, in order to facilitate labour market integration for vulnerable groups.

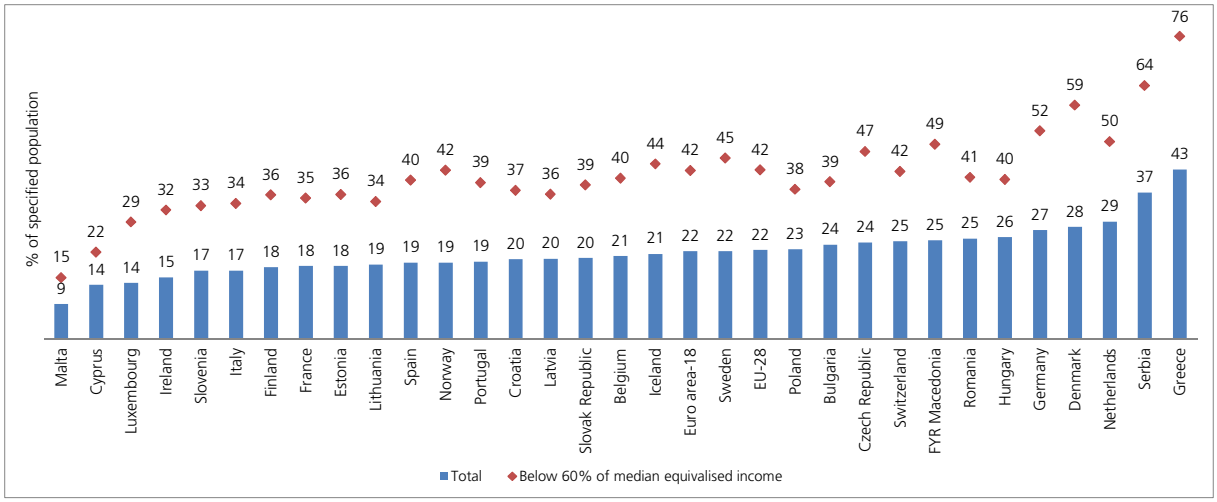
3.3. Housing gaps and shortfalls

Access to decent housing at an affordable price is an important indicator of vulnerability. Following the financial crisis, housing demand has been undergoing a number of changes that are also shaped by social, demographic and environmental factors. In addition to the most vulnerable groups at risk of housing exclusion such as low-income persons, ethnic minorities and migrants, broader population categories have become vulnerable to housing exclusion and are in search of affordable and social housing: young populations and middle-income families; the working poor and people working on precarious contracts or without employment contracts; elderly people with low incomes, etc. These demand fluctuations in housing markets are not merely cyclical. They occur amidst longer-term trends such as decreasing household size, changing family patterns, population ageing and increasing migration. These factors and the ways in which they re-define housing demand in CEB member countries are analysed in this section.

- **The crisis and housing (un)affordability**

On average, Europeans spend over a fifth of their income on housing. Those at risk of poverty are hit even harder by housing costs, which represent 41% of their disposable income (see Figure 3.5).

Figure 3.5: Share of housing costs in disposable income in selected CEB member countries, 2014



Source: CEB graph based on EUROSTAT data updated on 6 June 2016, extracted on 30 June 2016 (ilc_mded01).

According to the Report on the Social Impact of Fiscal Consolidation[7], as the crisis reduced the level of disposable income of households, their capacity to meet financial obligations decreased. Frazer and Marlier (2011)[8] reported increasing difficulty in paying bills and a rise in indebtedness in many countries, such as the Czech Republic, Greece, Spain, France, Hungary, Ireland, Portugal and Romania, especially with regard to repaying housing loans.

Overall, 11% of European households and 40% of those at risk of poverty spend more than 40% of disposable income on rents, mortgages, maintenance and energy, and are thus considered "overburdened"[9] by housing costs, i.e. what they have to pay for housing is too much compared with what they can afford. Across CEB countries, the total housing cost overburden rate in 2014 ranged from 2% in Malta to 41% in Greece. In Switzerland, Hungary, Bulgaria, Romania, the Netherlands, Denmark, "the former Yugoslav Republic of Macedonia", Germany, Serbia and Greece, this overburden rate exceeded the EU average (see Figure 3.6). Furthermore, this rate is higher for those at risk of poverty in all CEB countries. In Denmark and Serbia, housing was unaffordable for more than two thirds of people at risk of poverty. In Greece, almost the entire population at risk of poverty was unable to pay for housing.

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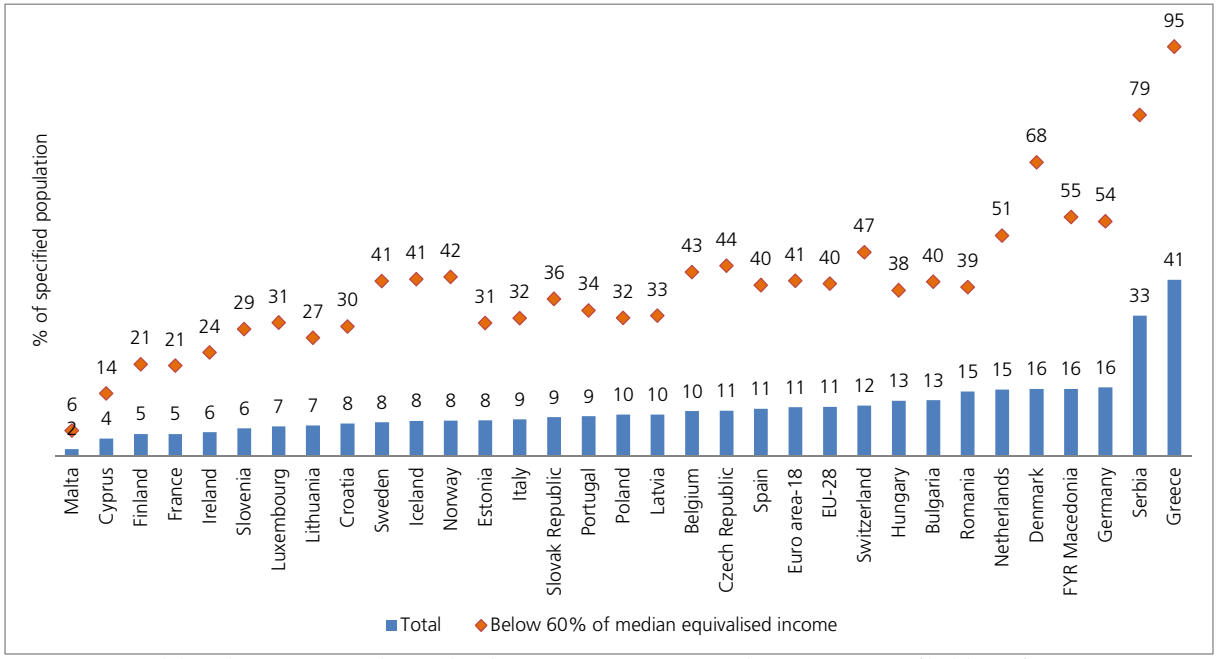
7 Source: EC, DG EMPLOI (2012), The social impact of the economic crisis and on-going fiscal consolidation, Third report of the Social Protection Committee (2011).

8 Source: Frazer, H. and Marlier, E., 2011 assessment of social inclusion policy developments in the EU – Synthesis report, EU Network of Independent Experts on Social Inclusion, 2011.

9 The housing cost overburden rate is the percentage of the population living in households where the total housing costs (net of housing allowances) represent more than 40% of disposable income (net of housing allowances).

European citizens are thus increasingly faced with a "scissor effect": they spend more and more on housing, with a disproportionate burden falling on people at risk of poverty while, given fiscal consolidation, governments generally are struggling to support the affordable housing sector despite a growing demand[10].

Figure 3.6: Housing cost overburden rate by poverty status in selected CEB member countries, 2014



Source: CEB graph based on EUROSTAT data updated on 28 June 2016, extracted on 30 June 2016 (ilc_lvho07a).

The impact on homelessness and poverty seems to be greater now than in previous years, since the crisis and austerity measures taken have a strong time-lag effect. When it comes to affordability and access to adequate housing, the EU defines the following most disadvantaged groups (listed in descending order): (1) unemployed or otherwise economically inactive people and families; (2) single parents with young children; (3) young people living alone; (4) retired people, especially if living alone; (5) households with three or more children; and (6) single parents with one child.

The Council of Europe views the following groups as vulnerable: (1) marginalised homeless, substance abusers and battered women; (2) immigrants and refugees; (3) one-earner income, unemployed and non-worker families; (4) single-parent households; (5) young people in their first-time employment and first independent housing; and (6) elderly low-income households in old housing. The scope of these lists shows how the concept of affordability and decent housing are affecting more and more population groups, aggravating existing inequalities.

- **Overcrowding, deprivation and other housing quality issues**

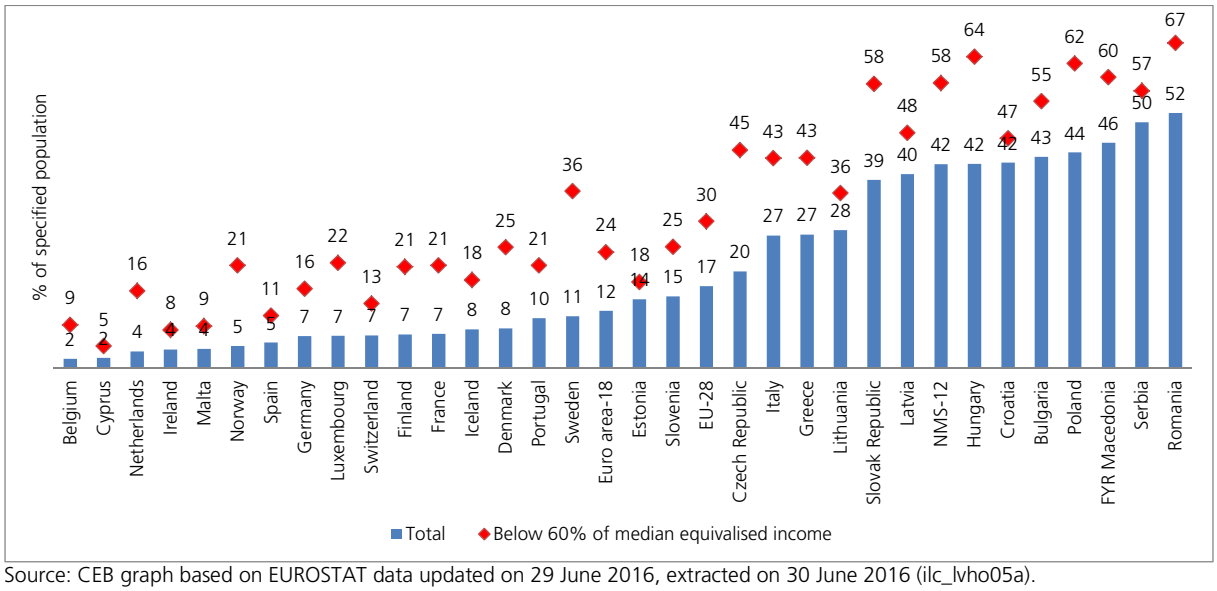
Across CEB countries, there is a considerable contrast between the EU average and CEE and SEE countries in terms of housing quality. This translates into the need for housing modernisation, particularly of the existing stock.

One of the key elements of housing quality is the availability of sufficient space in the dwelling. Space issues can be analysed through the **overcrowding rate**[11]. Across CEB member countries, the highest rates were registered in 2014 in Central and Eastern European countries, particularly in Serbia, Romania and "the former Yugoslav Republic of Macedonia", where half of the population lived in an overcrowded dwelling. As a comparison, this figure was 17% across the EU. The overcrowding rate is higher for those at risk of poverty. The largest differences between the two rates, total population and population at risk of poverty, are in Sweden (25 pps), the Czech Republic (25 pps) and Hungary (22 pps) (see Figure 3.7).

[10] Source: CECODHAS (2013), Rethinking Investment in Homes, Spring 2013.

[11] The overcrowding rate describes the proportion of people living in an overcrowded dwelling, as defined by the number of rooms available to the household, the household's size, as well as its members' ages and their family situation.

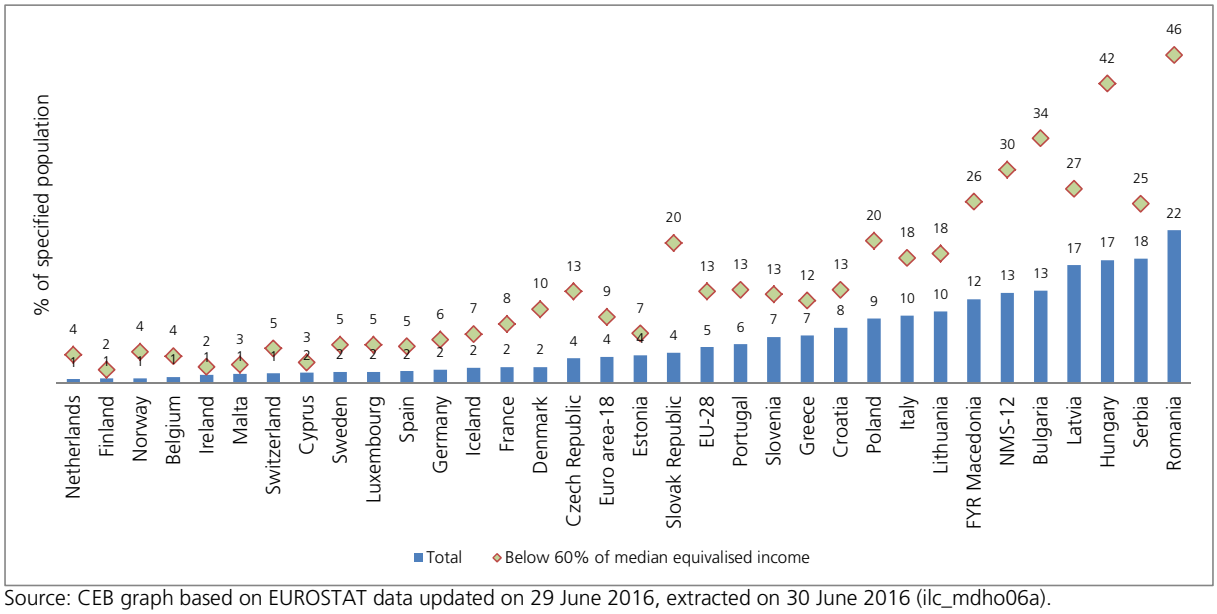
Figure 3.7: Overcrowding rates by poverty status in selected CEB member countries, 2014



Source: CEB graph based on EUROSTAT data updated on 29 June 2016, extracted on 30 June 2016 (ilc_lvho05a).

Housing quality can also be analysed by observing other deficiencies in amenities, such as lack of basic sanitary facilities, measured by **severe housing deprivation** rates[12]. On average, 5% of the European population suffered from severe housing deprivation in 2014, with large variations across member states. The most affected countries are Romania (22%), Serbia (18%), Hungary and Latvia (17%) and Bulgaria (13%), exceeding the EU new member states (NMS-12) average of 12.7%. People at risk of poverty suffer more from insufficient space and poor amenities: for example, in Romania and Hungary almost half of this population group faced severe housing deprivation in 2014 (see Figure 3.8).

Figure 3.8: Severe deprivation rates by poverty status in selected CEB member countries, 2014



Source: CEB graph based on EUROSTAT data updated on 29 June 2016, extracted on 30 June 2016 (ilc_mdho06a).

In addition, the following quality gaps in housing conditions can be distinguished in CEE and SEE regions[13]:

- Much of the housing stock was built in the three decades preceding transition, rendering it relatively new. However, the majority of the apartment blocks were built from low-quality prefabricated materials, with,

[12] The severe housing deprivation rate is the share of the population living in a dwelling which is considered overcrowded while also exhibiting at least one of the following housing deprivation measures: leaking roof, neither a bath nor a shower nor an indoor flushing toilet, or a dwelling considered too dark.

[13] Source: Habitat for Humanity (2013), Housing Review 2013 on 23 Countries in the Europe and Central Asia Region.

in some cases, a lifespan of only 30 years – which has already expired. The quality gap is becoming more pronounced between new constructions, which generally follow quality standards close to those of Western Europe, and such prefabricated building blocks.

- Since the early 1990s, there has been rapid growth in the number of informal settlements, ranging from slums to luxury residences, from centrally located areas to suburbs, and from several small units to large settlements.

Energy poverty

Between 50 million and 125 million people (or one household in seven) in Europe are estimated[14] to be "fuel poor". The term "fuel poverty" (also referred to as "energy poverty") is used for households that have difficulties in accessing energy services at an affordable price. Although not clearly defined in every European country[15], fuel poverty results from a combination of three key factors: low household income, poor heating and insulation standards and high energy prices.

In many EU countries, not least in Central, Eastern and South Eastern Europe (CEE), it is increasingly common for low income households either to spend a large proportion of their income on energy costs, thus leaving them below the poverty line or to be forced to disconnect from heat and gas supplies to save money, a problem known as "the choice between heating and eating". This only deepens the vicious circle of social exclusion and poverty. The scale of the problem is being further exacerbated, as in many CEE countries residents have increased their use of "dirty" fuels and resorted to cheap stoves, which can have high levels of CO_2 emissions and pollution, with the attendant detrimental effects on indoor air quality and health. Households are trapped in fuel poverty and society ultimately bears the cost of inequality and underdevelopment. Covering a wide array of sectors such as housing, energy, health and social services, fuel poverty is a multidimensional issue requiring coherent solutions that take into account the various factors located at the roots of poverty. Drivers of vulnerability include living conditions (energy performance of the building, heating system) and individual circumstances (health, age, income level, education), but also market conditions (energy prices) and the social and natural context (state of the economy, climate).

When tackling fuel poverty, it is vital to interlink policies seeking to improve energy efficiency and social policies. One of the most effective and sustainable ways for consumers to reduce their building energy demand is through energy renovation that reduces the share of energy needed to reach an adequate level of thermal comfort. The issue of affordability of such investments may be addressed through specific programmes for fuel-poor households that combine several measures such as the provision of financial and technical assistance to improve the energy efficiency of the dwelling so as to reduce the energy bill for fuel-poor or vulnerable households; and the introduction of social measures that seek to lower energy prices or increase income for energy poor households (energy subsidies, income support) so as to increase the ability of vulnerable consumers to pay for basic energy needs and protect them from potential disruptions. The energy renovation of dwellings of fuel-poor or vulnerable households may simultaneously generate local jobs, economic growth and social inclusion.

Housing and changing demographics

Along with the impact of the crisis on affordability, the demand for housing is also being shaped by changing demographic, social and family patterns across Europe. Although the population in Europe is growing slowly compared to other continents, the demand for housing is not determined by population numbers, but by the new profile of inhabitants, characterised by the following factors:

- a higher number of households, arising from a decrease in household size, linked to life expectancy, fertility rates, and divorce and separation rates
- a large and/or increasing proportion of single-person households and couples without children, on the one hand, and an increasing share of "blended" families on the other
- an ageing population with specific needs and requirements for housing adaptations
- large families of immigrants and ethnic minorities with their stronger presence in social housing, leading to social segregation and ghettoisation.

[14] Source: European Fuel Poverty and Energy Efficiency Project, co-funded by the European Union (EU)

[15] Without a common definition at EU level, EU Statistics on Income and Living Conditions (EU-SILC) use three indicators taken as proxies to measure fuel poverty in the EU: 1. Inability to keep home adequately warm, 2. Arrears on utility bills, and 3. Presence of a leaking roof, damp walls, floors or foundation, or rot in window frames or floors.

More households

Across the EU, between 2005 and 2013, the average household size went down from 2.5 to 2.3 members, and the number of private households went up from 195 million to 214 million (see Figure 3.9). In 2013, the largest households were recorded in Central and South-Eastern European countries, with the exception of Estonia, while the smallest households were observed in Germany, France, the Netherlands and the Nordic countries.

Figure 3.9: Number of private households and average household size in the EU, 2005-2015



Source: CEB graph based on EUROSTAT data updated on 30 May 2016, extracted on 30 June 2016 (lfst_hhnhtych; lfst_hhantych)

Changing household structures

According to Eurostat[16], the most common household types in the EU in 2014 were the "two adults with children" (35%) and the "two adults without dependent children" (25%). These were followed by "single person" living alone (14%). Couples without children and single adults are the two categories with a great share of young and elderly people, generally more affected by economic instability and precarious situations. They usually need adequate housing solutions in terms of affordability and quality standards. The highest share of couples without children was recorded in Finland (32%), Germany and Switzerland (31%), Sweden (29%), the Netherlands (28%), France and Denmark (27%) and Norway (26%). The highest share of single-person households was registered in Denmark (24%), Germany, Norway and Finland (20%), Sweden (19%), Netherlands (17%), Estonia, Lithuania and France (16%) and Belgium (15%).

CEB member countries with a relatively high share of young people aged 15-24 are also likely to see an increased demand for student housing and/or for (first) independent living. This translates into a higher demand for smaller dwellings and affordable rentals. According to Housing Europe (2015)[17], young people, particularly in Central, Eastern and Southern Europe, have more difficulties accessing housing compared to the former generation and are thus faced with a generational gap. Countries such as Turkey (17%), the Republic of Moldova (16%), Cyprus, Iceland and "the former Yugoslav Republic of Macedonia" (15%) have a high share of such young populations (2013). As far as the rest of Europe is concerned, Denmark, Luxembourg, Norway, Sweden, Switzerland and the Netherlands are the only countries which have seen an increase in the share of their population aged 15-24 over the past decade, to represent 12-13% of total population in 2013.

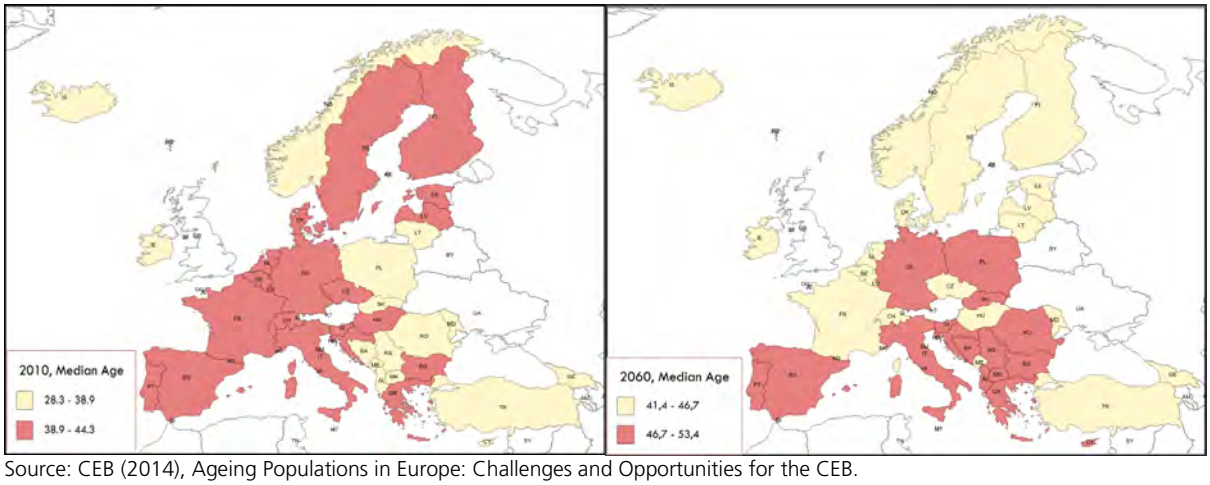
An ageing population

Europe is the oldest continent, with 19% of the population aged 65+ (2015, Eurostat). In fifty years' time, in CEB member countries those over 65 years old will represent a much larger share of the population (rising from 16% in 2010 to 29% in 2060) and those aged 80+ (rising from 4% to 11%) will be almost as numerous as the young population (see Figure 4.1).

This phenomenon of an ageing population is increasing the demand for adapting (mostly existing) dwellings to the needs of the elderly as well as providing a range of home care services, enabling active ageing. The CEB's study on ageing populations in Europe (2014) elaborates on this issue, which is of particular importance in Central and Eastern European countries, where older people are much more likely than their Western European counterparts to report poorer housing conditions. What is more, the ageing phenomenon is expected to shift eastwards: CEB member states that are relatively "young" today, mainly in Central, Eastern and South-Eastern Europe or "CEB target countries", are likely to report a significant and rapid increase in their median age in the near- and medium-term (see Figure 3.10).

[16] Source: Eurostat, Distribution of population by household type and income group [ilc_lvps02], Last update: 06-06-2016
[17] Source: Housing Europe (2015), The State of Housing in the Union – 2015 Report, May 2015

Figure 3.10: CEB member countries above or below the average median age, 2010 and 2060



Source: CEB (2014), Ageing Populations in Europe: Challenges and Opportunities for the CEB.

However, these Southern and Central-Eastern European countries are still lagging behind Northern and Western European countries, where recent years have seen a drive to promote barrier-free environments and accessible buildings for people with functional limitations. While on average the housing stock in Europe comprises not more than 1% of dwellings adapted to the needs of elderly people, this proportion is higher in the Western region. In the Netherlands, for example, 5% of the housing stock is adapted, and 50% of new dwellings are designed and constructed with the aim of allowing for further adaptation, at reasonable cost, to the needs of dependent or disabled people. Belgium, with 2% of its stock similarly adaptable, is also particularly progressive in developing such housing models[18].

Larger population movements across borders and within countries

Another key demographic and social trend in Europe is migration (see also Chapter 5). The context in which migration happens is constantly evolving and there has been a change in the sort of people who are migrating and where migrants come from. Moreover, over the coming decades, migratory pressures across Europe are expected to increase. Economic asymmetries are likely to remain a key driver, with large-scale refugee movements having a profound impact on some countries. In the future, migrants are also increasingly likely to be pushed by natural disasters, some of which may be the result of climate change. Migration is likely to become an important demographic factor for countries that send/receive large numbers of economic migrants or in those that are affected by refugee flows. Such population movements will lead to an increase in housing demand, even if the quantified impact is uncertain. Mainly constituted by people of working/reproductive age, the migrant population is projected to contribute to the increase in the number of households. Immigrants tend to have higher residential mobility and larger households and generally prefer rental housing to ownership. As a group, immigrants tend to have greater difficulties accessing the housing market and may be a priority group for social housing.

On the other hand, internal migration in many target countries, such as Bulgaria, Romania and the Republic of Moldova, often leaves rural communities depopulated and in destitution. Cities, on the other hand, offering more educational and employment opportunities, are more likely to attract men, younger workers, single or separated/widowed workers and those who are relatively better educated[19]. Although this rural-urban migration may later lead to emigration, it still exerts significant pressure on housing and infrastructure capacities in and around cities, generally increasing the demand for rentals.

To effectively support its member states in their efforts, the CEB will be broadening its general approach, i.e. from a limiting "housing for low-income persons" to a more all-encompassing approach focused on facilitating access to affordable housing, including through enhanced access to housing finance. In this context, the CEB will be adapting its screening and eligibility criteria so that they are in line with housing needs and systems across member countries. While housing for low-income persons will remain a priority, the concept of affordable and sustainable housing will become more explicit, with integrated project screening criteria further defined in terms of housing aspects such as regional shortages, energy quality, efficiency and affordability, and a mix of qualitative social factors combined with sustainability and affordability, especially where access to property is concerned, and based on country conditions. The goal is to enhance the Bank's relevance and social impact for the populations in need, which are increasing in both number and profile.

[18] Source: BFW and UEPC (2007), Housing for Senior Citizens. A Future Task for the European Developers, 2007.

[19] European Commission, DG Employment, Social Affairs and Inclusion (2012), Social Impact of Emigration and Rural-Urban Migration in Central and Eastern Europe (VT/2010/001), June 2012.

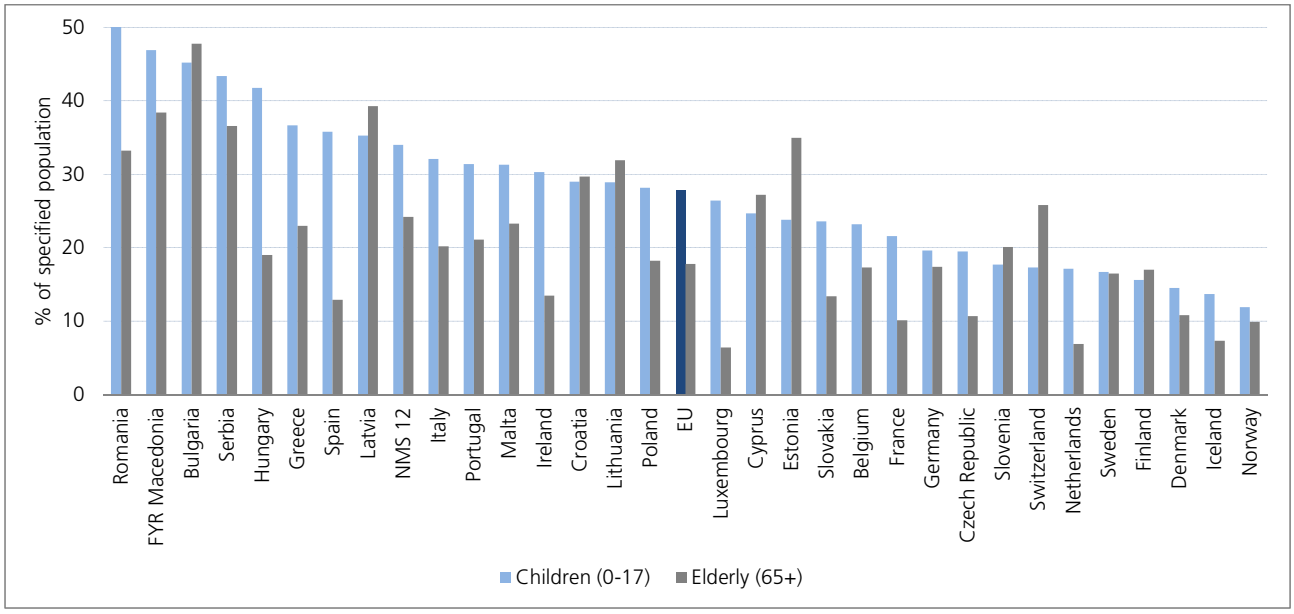
Chapter 4: Non-income sources of vulnerability

Vulnerabilities at individual level related to age, ethnicity, religion or belief, illness, disability and sexual orientation are inherently linked to the principles of equity and fundamental rights. This chapter looks at some of these risk factors leading to vulnerability or to worsening an already existing vulnerability. One important finding is that these groups are generally affected by financial hardship, which either exacerbates their vulnerability or can contribute to developing the risk of vulnerability later in their lifecycle and/or to transmitting (the risk of) vulnerability to next generations.

4.1. Age

Over the last decade, approximately a quarter of the general population have been at risk of poverty or social exclusion in the EU. However, there are marked differences by age. While 18% of elderly people (aged 65+) and 25% of working-age adults (aged 18 to 64) were at such risk in the EU in 2014, the proportion was highest among children (aged 17 or less), reaching 28% (see Figure 4.1).

Figure 4.1: People at risk of poverty or social exclusion by age groups, 2014



Source: CEB graph based on EUROSTAT data updated on 30 June 2016, extracted on 1 July 2016 (ilc_peps01).

The percentage of **children** (0-17) living in a household at risk of poverty or social exclusion ranged from 12% in Norway to more than 40% in Hungary (41%), Serbia (43%), Bulgaria (45%), "the former Yugoslav Republic of Macedonia" (47%) and Romania (51%). The largest gaps (difference between the AROPE rates for the specific age groups) between children and the total population were observed in Romania, Hungary and Malta: in these countries the AROPE rate for children was at least 7.5 pps higher than the rate for the total population.

Even though children were the population age group with the highest at risk of poverty or social exclusion rates, there were also some exceptions: in Bulgaria, Estonia, Croatia, Latvia Lithuania and Switzerland, the **elderly** (65+) were most at risk, while in Denmark, Germany, Greece, Cyprus, the Netherlands, Slovenia, Finland and Sweden, **adults** (18-64) were the age group with the highest risk. However, despite the fact that the elderly and adults respectively had the highest AROPE rates of these two groups of countries, child poverty ranked second highest in nearly all of them.

- **Children: breaking the cycle of disadvantage**

Several interrelated factors such as financial insecurity, unemployment, low educational level, migrant background, family violence, insecure or poor housing and health problems, contribute to what makes a family vulnerable. Family vulnerability affects the whole household instead of individuals alone. Moreover, vulnerability can be cumulative over the life course: early-life difficulties and their adverse effects can interact with later

events in ways that increase the likelihood of poor future outcomes. The employment situation of parents is crucial in this respect. Job loss is one of the most important reasons for entering poverty. Among the employed, work intensity of the household is decisive for family income. A lack of childcare options might force mothers to leave the labour market, impairing their material situation.

Furthermore, family configuration, i.e. size and composition of the household, also affects the risk of vulnerability:

- The higher the number of children, the greater the financial burden of the household, and thus the need for both parents to engage in paid work. At the same time, however, more children require more time for care, often leading to the need for one parent, usually the mother, to dedicate more of her time and energy to childcare and to reduce or even give up her paid working time. With reduced income or even only one earner, financial problems can easily arise. Thus, households with three or more children have a higher risk of deprivation. In 2014, one-third of two-adult households with three or more dependent children were at risk of poverty or social exclusion in EU.

- But the situation is often even more problematic for single parents. The share of people at risk of poverty or social exclusion amounts to almost 50% among single parents with dependent children. This household composition can be a major factor for low work intensity and in-work poverty in the absence of adequate support services, especially for solo mothers who are susceptible to the negative income effects of divorce. While two-parent families pool their income and have an opportunity to share various responsibilities and burdens, a single parent has to cope with all difficulties alone. In addition, since solo parenthood is most commonly related to the parents having separated, family disruptions often have negative psychological consequences for parents and children.

Besides the size and composition of the household, specific family characteristics can also influence the risk of vulnerability.

- Ethnic minorities and immigrant families are often exposed to vulnerability. According to Eurostat (ilc_li34), the highest AROPE rates for children (0-17) with at least one foreign-born parent were recorded in 2014 in Italy (35%), Belgium (37%), "the former Yugoslav Republic of Macedonia" (42%), Greece (49%) and Spain (55%), while the lowest rates were observed in Latvia (15%), Denmark (16%) and Hungary (18%). Their difficulties may stem from limited access to the labour market and/or discrimination in the labour market, but also from low educational levels or their educational certificates not being accepted in the destination countries, as well as from insufficient language skills.

- Moreover, families with disabled family members are very often exposed to vulnerability. Poor health and disability trigger the risk of entering poverty. Finally, same-sex couples with children are also mentioned as a vulnerable family type, albeit because of social exclusion or stigmatisation rather than economic hardship.

The CEB can provide financing for investment programmes in deprived areas that primarily help improve access to and quality of services and public facilities. Such investments can cover the construction and renovation of local infrastructure (schools, playgrounds, medical facilities, social aid centres and local transport) to promote equity in access to quality environments. The CEB can also develop programmes with components focusing specifically on the social integration of vulnerable children and families. In addition, the CEB can finance investments in the construction and rehabilitation of day-care centres and centres for maternal-child protection.

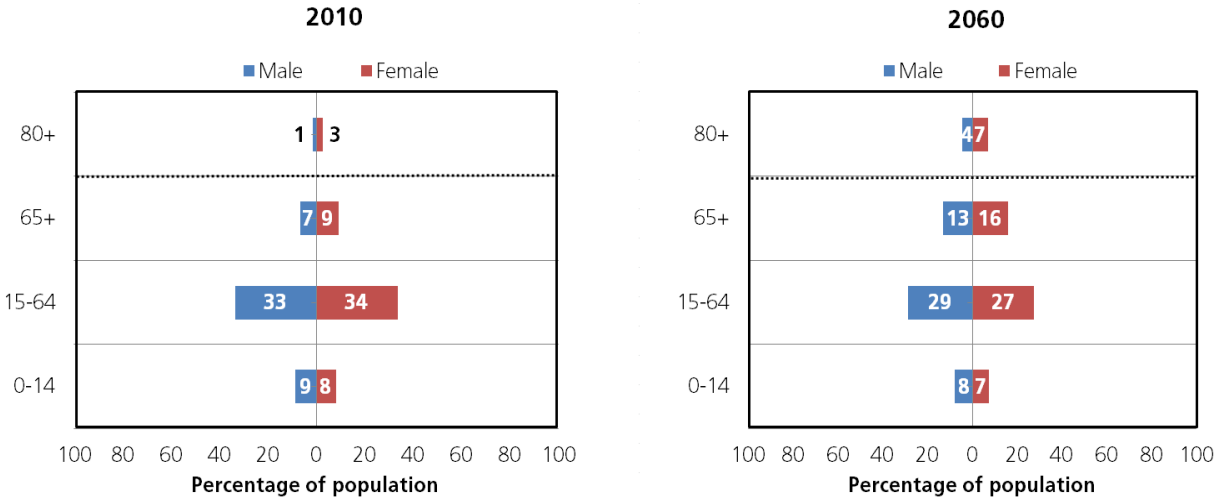
- **Elderly populations: vulnerable but not all of them**

Population ageing[20] is one of the most significant demographic and social trends of the 21st century, affecting nearly all the countries in the world. In the context of ageing baby-boomers, declining fertility rates and increasing life expectancies, older people are coming to represent a proportionately larger share of the total population. This global trend is expected to be particularly pronounced in the EU-28 and in CEB member countries (see Appendix 1).

[20] **Population ageing** is the process whereby older individuals become a proportionately larger share of the total population. **Individual ageing** is the process of individuals growing older. Source: UNFPA, Ageing in the Twenty-First Century: a Celebration and a Challenge, 2012.

The CEB's study on ageing populations in Europe (2014)[21] showed that the age composition of the population in CEB member countries is likely to transition to a significantly older structure, with the population pyramid becoming more rhomboid than triangular. Those aged 15-64 are projected to become a substantially smaller share of the population (see Figure 4.2), declining by 9 percentage points to 56% by 2060, while those aged 65+ are likely to become a much larger share, almost doubling to 29% and representing about 160 million individuals. The old-age dependency ratio (calculated as the relative size of the older population aged 65+ compared with the working age population aged 15-64) is projected to more than double to 52. This implies that CEB member countries are expected to move from having four working-age people for every person aged 65+ to only two. At the same time, the share of the population aged 80+ (the so-called "oldest old" or "frail elderly") is expected to triple: from 4% in 2010 to 11% by 2060.

Figure 4.2: Population pyramids in CEB member countries, 2010 and 2060



Source: CEB (2014), Ageing Populations in Europe: Challenges and Opportunities for the CEB.

Although the pressure that this growing proportion of people aged 65+ and 80+ will put on long-term care systems will depend on the health status of people as they reach these ages, the CEB's study demonstrates that the ageing phenomenon is expected to lead to a burgeoning, yet heterogeneous, demand for different types of eldercare infrastructure and services. This demand is likely to depend on adaptations to welfare state systems triggered by fiscal restructuring and shifting societal preferences towards "ageing in place" and home care. It could also be affected by the growing diversity among older Europeans, particularly the oldest-old (80+) and women, in terms of income, health and disability status, access to informal support and (unmet) care needs.

Over the coming decades, it is expected that older people will have different needs as they age more healthily and more actively than previous generations. There will be a clear need to help healthy older people remain productive and independent and to ensure that those who are frail or disabled receive care and support so that they can live in their communities for as long as possible. This has wide-ranging implications for the development of elderly-friendly products and services, environments and activities. The availability, accessibility and affordability of adequate infrastructure and services for the elderly will therefore be crucial to ensuring decent living conditions for the older populations and countries will have to secure adequate care for the elderly by providing a balance of home-based, community-based and hospital-based services. The provision of such infrastructure and services should therefore be carefully considered in a longer-term and demand-driven perspective.

The CEB can contribute to addressing some of these needs. Based on its mandate and experience, various types of investment could be envisaged: providing old-age specific health infrastructure (including formal long-term care infrastructure; described in section 4.2), adapting housing as well as urban and rural living spaces to suit the needs of the elderly, enhancing energy efficiency and the use of renewable energy in eldercare infrastructure, and investing in education and lifelong learning.

[21] CEB (2014), Ageing Populations in Europe: Challenges and Opportunities for the CEB.

4.2. Illness and dependency[22]

Significant pressures on healthcare and social protection systems are expected over the coming years. On the one hand, healthcare systems will have to address a multitude of challenges resulting from an ageing population, growth in (expensive) chronic diseases, technological and medical innovation, and consumer expectations of affordable and high-quality care. In particular, health systems will need to find solutions through new technologies, products and organisational changes to meet the growing demand for healthcare. Moreover, social care services will have to be increasingly provided to vulnerable people of all ages, in need or at risk, which are increasing in both number and profile. On the other hand, these trends will create substantial new costs for both providers and receivers of health and social care and will challenge the fiscal sustainability of public systems. Thus, additional private sources of funding will be required to continue to be able to fund care in the future.

- **Chronic diseases leading to new categories of vulnerable groups**

The epidemiologic transition[23] from mainly infectious to chronic disease patterns (circulatory diseases and cancer) across CEB countries increases morbidity and mortality not only for the population over 60, but much earlier in life. Obesity, diabetes and metabolic syndromes often begin during adolescence or even earlier. This trend has so far not reduced average life spans, but it has probably slowed the increase in life expectancy. For healthcare systems, this means that not only do the elderly need frequent care, but even younger people need treatment for long-term and complex disabilities and ailments they are increasingly suffering from. Chronic diseases are thus creating new categories of vulnerable groups with specific needs that will require appropriate care over a certain period of time.

- **Growing demand for long-term care**

The increase in demand for health and social services is to be attributed to the burden of age-related diseases combined with increasingly changing family structures that are likely to undermine family care. A critical issue will be the provision of long-term care (LTC) for the very old. Over the next five decades, the number of Europeans aged 80+, who are the main users of LTC services, is set to almost triple. It is estimated that one in two women and one in three men will come to need intensive long-term care as they age. In particular, Alzheimer's and other dementias are among the major causes of disability and dependency affecting older people and, in their later stages, require very costly institutional care. Long-term care is a highly gendered issue. Older women have a higher life expectancy, are more likely to have poorer health and live alone, and follow a different pattern of morbidity in old age, so most care recipients are women, both in home and institutional care services. Moreover, the vast majority of both informal and formal care workers are women.

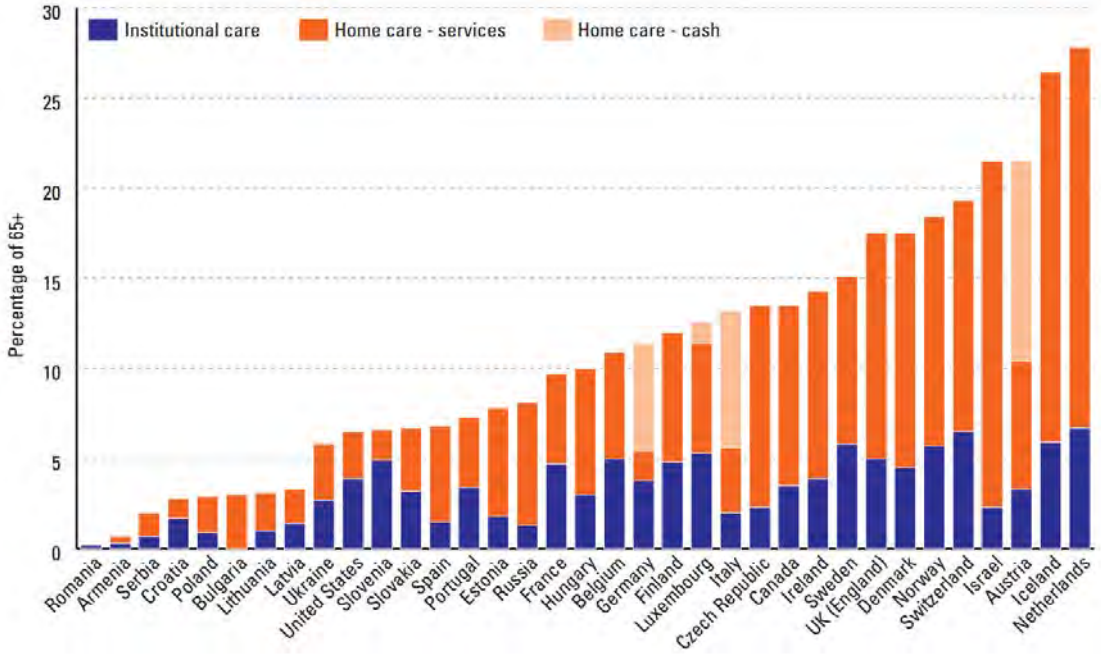
Across CEB member states, LTC is *organised* (by public, for-profit or NGO providers), *financed* (via general taxation, obligatory social security, voluntary private insurance or out-of-pocket payments) and *delivered* (as home care or institutional care[24] – see Figure 4.3) differently from acute health problems treated as clinical health care. Whereas clinical healthcare is almost exclusively dispensed by healthcare professionals, a substantial part of LTC services are provided by informal family carers. LTC provision can therefore be viewed as a combination of informal and formal care.

[22] Source: CEB (2016), Financing Sustainable Health Infrastructure in CEB Target Countries, March 2016

[23] In demography, epidemiological transition is a phase of development witnessed by a sudden and stark increase in population growth rates brought about by medical innovation in disease or sickness therapy and treatment, followed by a re-leveling of population growth from subsequent declines in fertility rates. "Epidemiologic transition" accounts for the replacement of infectious diseases by chronic diseases over time due to expanded public health and sanitation. This theory was originally posited by Abdel Omran in 1971.

[24] "Institutional care" refers to care services and accommodation provided to users residing in nursing homes, retirement homes and service housing. "Home care-services" is defined as benefits provided to dependent older people by care providers or bought by users with cash benefits. "Home care-cash" is defined as cash benefits provided to dependent older people that may be used to pay for informal care workers or to hire personal assistants.

Figure 4.3: People aged 65 and older receiving care benefits (cash or in-kind) in different care settings, 2009 or most recent year, in selected CEB member and non-member countries



Source: European Centre for Social Welfare Policy and Research (2012), Facts and Figures on Healthy Ageing and Long-term Care, Rodrigues R. et al.

LTC is a complex subject that incorporates a broad mix of medical, social and residential (housing) dimensions. Across CEB member countries, long-term care for the elderly refers to a range of services and assistance for persons, who, over an extended period of time, are dependent on help with basic activities of daily living and/or instrumental activities of daily living. Investing in LTC infrastructure is to be addressed cautiously, based on a demand-driven approach. In addition to informal care provided by relatives in all CEB member countries, there is enormous variation in the degree to which affordable formal services have been developed and are made available, greatly depending on the type of the welfare system in a particular country.

As shown in Figure 4.3, while 5 out of 20 older people in Iceland and the Netherlands have access to formal care services or cash benefits, this percentage proportion is less than 1 in 20 in a number of Eastern and South-Eastern European countries. Additionally, population projections (see Appendix 1) show the strongest increase by 2060 in the share of the frail elderly (80+) at particular risk of developing a need for LTC across CEB target countries, namely in Turkey (+842%), Cyprus (+364%), Malta (+357%), the Western Balkan countries (ca. +300%) and the Czech Republic and Slovak Republic (ca. +200%).

- **The need to invest in facilities, equipment and skills**

To meet this growing demand for healthcare and long-term care, it will be crucial to ensure that the right physical structures and people are in place. This will require ongoing investment in new and updated facilities, equipment and skills. Investment needs in CEB target countries are more acute than those in the other CEB member states, because their healthcare systems are still maturing and facilities are more obsolete. Much needed reconfigurations of hospital systems across CEB target countries require the construction and/or renovation of infrastructure and the availability of an adequately skilled and trained medical and managerial workforce if they are to adapt to changing health needs and to offer new treatment methods.

Health systems across CEB countries will also need a health workforce of sufficient capacity and with the right skills. As the size and composition of the health workforce are changing as a result of its ageing, mobility within and out of Europe and professional, organisational and technological developments, the quantitative and qualitative match between supply and demand in terms of healthcare services will be increasingly difficult to achieve and to sustain. Changes in how healthcare services are organised and delivered to meet the needs of Europe's (ageing) population and to reflect greater specialisation are expected to lead to the up-skilling of existing health occupations and to new skills requirements. These changes will require different skill mixes, task-shifting and new ways of working within wider cross-specialist teams, while keeping abreast of changes in technology, treatments and prevention.

The CEB can finance investments in health infrastructure so as to increase its availability and to improve the delivery of standard and long-term care for the elderly and other vulnerable populations. In particular, the CEB can provide financing for retirement homes, residences providing services and care, and nursing homes for the most dependent persons.

LTC in CEB target countries primarily relies on informal care and home care rather than on the institutionalised provision of services. In the upcoming decades, CEB target countries are expected to gradually develop and shift to formal LTC provision involving substantial investments in LTC infrastructure and an adequately skilled and trained care workforce. A particular focus may be the development of LTC systems in rural areas, where these services have generally been scarce. Concepts such as "ageing in place", "continuity in care" or "smart homes" are also approaches that could successfully be adopted to tackle future challenges in LTC. "Ageing in place" and "independent living" can be achieved through assistive technology and the appropriate provision of home help and home care.

4.3. Discrimination: the example of Roma exclusion

According to the European Union Agency for Fundamental Rights (FRA)[25], ethnic origin was considered the most prevalent ground for discrimination in the EU in 2015. Roma people[26] are Europe's largest ethnic minority. Of an estimated 10-12 million in the whole of Europe, some six million live in the EU. A significant number of Roma living in the EU are legally residing third-country nationals[27]. They share the same severe living conditions as many Roma holding EU citizenship, whilst also facing challenges of migrants coming from outside the EU.

Despite efforts at national, European and international levels to improve the protection of their fundamental rights and advance their social integration, many Roma face severe poverty, profound social exclusion and discrimination in their daily lives. These problems affect their access to education, which in turn undermines their employment and income prospects, housing conditions and health status, curbing their overall ability to fully exploit their potential. Roma exclusion is a great development challenge in many CEB member countries such as Bulgaria, Czech Republic, France, Germany, Hungary, Italy, Romania, Slovak Republic and Spain[25].

The many challenges faced by Roma communities are closely linked to access to essential services such as education and healthcare, decent housing and employment.

- As a result of discrimination in mainstream schools or segregated education, considerable gaps between Roma and non-Roma children exist at all educational levels, from preschool to secondary education. For instance, only 42% of Roma children complete primary school in some EU member states[28]. Education has a special role to play in addressing multiple deprivations facing Roma people because it largely determines their future life chances. In effect, unequal access to education can lead to unequal access to employment, housing and health and ultimately reduce Roma people's chances to enjoy their fundamental rights. Just as poor quality education limits future opportunities, good quality education can lead to better employment prospects and help to lift Roma out of poverty.

  In addition, Roma represent a significant and growing proportion of the school-age population and therefore the future workforce in many European countries. The Roma population is young: 36% are under 15 compared to 16% of the EU population overall. The average age among Roma is 25, compared with 40 across the EU. It is therefore of crucial importance to invest in the education of Roma children to allow them later on to successfully enter the labour market.

- About 90% of Roma in the EU have an income below the national poverty threshold. Employment rates for Roma people are much lower than for the rest of the population[29]. This is often due to discrimination in the labour market, which makes it difficult for Roma people to find or keep jobs. Equal and full access to employment serves as a major vehicle for social inclusion, one that can improve living conditions and enable Roma to successfully tackle the challenge of poverty.

[25] Source: European Union Agency for Fundamental Rights (FRA), Fundamental Rights Report 2016, May 2016.
[26] Roma is the term commonly used in EU policy documents and discussions, although it encompasses diverse groups that include names such as Roma, Gypsies, Travellers, Manouches, Ashkali, Sinti and Boyash.
[27] In effect, many Roma from Central and Eastern European countries reside in Western EU member states.
[28] Source: European Union Agency for Fundamental Rights (FRA), Education: the situation of Roma in 11 EU Member States. Roma survey – Data in focus, October 2014
[29] Source: European Union Agency for Fundamental Rights (FRA), Poverty and employment: the situation of Roma in 11 EU Member States. Roma survey – Data in focus, October 2014

- Roma people often live in poor housing with inadequate access to water, electricity and gas. Around half of Roma households live in segregated living areas[29], which create further barriers between Roma people and the rest of the population.
- Poor housing conditions have a major impact on the health of Roma communities. Life expectancy for Roma people is on average 10 years less than the EU average[30]. High levels of infant mortality also exist in many Roma communities. These inequalities are linked to their poor living conditions and limited access to quality healthcare.

These challenges are very complex and require an integrated approach to break the vicious cycle of intergenerational poverty. Low educational attainment, labour market barriers, segregation and deprived living conditions must all be addressed through targeted, coordinated and mutually reinforcing actions at both national and local levels.

Over the past five years, important policy efforts have also been undertaken at EU level to strengthen Roma inclusion. The European Commission adopted an EU Framework for National Roma Integration Strategies (running up to 2020) in April 2011. The endorsement of this Framework by EU heads of states and governments indicated that Roma inclusion is an important priority for all EU member states. The most important source of funding for Roma inclusion programmes, both in terms of volume and organic role, comes from EU Funds. In addition, international organisations, UN agencies and NGOs play an important role by complementing the efforts and funds of national and local initiatives.

The CEB can support governments and local authorities in their efforts to foster Roma integration via medium/long-term investment loans and/or grants in the sectors of education, housing, health and job creation (see Case Studies 3 & 6).

Roma projects are very complex. They can be difficult to identify and/or to implement due to reasons as diverse as lack of motivation on the part of countries to borrow for this category of projects, lack of political support, local authorities' lack of project experience, and the high risk of such projects in terms of sustainability.

The CEB's experience in financing Roma projects has helped identify several factors of success:

- When targeting vulnerable groups such as Roma, both institutional arrangements and political commitment are crucial for the implementation of the projects on the one hand, and for the sustainable impact on beneficiaries' living conditions and their social integration, on the other.
- In the case of these often complex and high-risk projects, detailed preparation from the very early stages of a project can improve project design and facilitate implementation later on.
- In most cases, it is the "soft" side of the investment, in the form of training for teachers, mediators, awareness campaigns, etc. that makes the difference in supporting Roma inclusion.
- Positive experience has mostly come from very small local initiatives, run by Roma NGOs/ associations/ foundations in close collaboration with the Roma community and civil society. Indeed, strong partnerships between NGOs and Roma communities are essential to developing practical operating methods that enable them to become valuable partners in their own integration process. Identifying suitable counterparts is essential to the success of the project.
- Partnerships with NGOs/associations/foundations are effective when the selected NGOs have not only the necessary social outreach and technical skills but also a robust administrative and financial management capability to ensure that they can carry out their fiduciary responsibilities in terms of accounting and audit.
- Some of these NGOs have very limited financial resources and are in no position to advance the funds to roll out a programme. For these reasons, they need financing to enable them to deliver services regularly.
- Moreover, Roma involvement in the design and implementation of individual projects appears to be difficult to achieve but is probably the most crucial factor for success. In this regard, the precise definition of Roma needs and a careful selection of eligible beneficiaries (in particular in the housing projects) have proven to be critical, especially from a longer-run sustainability perspective.

Also, integrated approaches play a significant role in ensuring the sustainability of physical investments and in achieving positive impact on Roma beneficiaries and their insertion in the labour force. Indeed, upgrading housing and related infrastructure should be accompanied by measures promoting employment or remunerated vocational training and improving access to education, health care and welfare services, in particular for women and children. In other words: only an integrated approach can ensure the sustainability of a project.

[30] Source: European Commission, Solidarity in Health: Reducing Health Inequalities in the EU, 2009.

Chapter 5: Migrant integration challenges[31]

Population movements imply complex challenges and opportunities for both receiving and origin countries. Immigration management and migrant integration have become focus areas for a growing number of host countries, also rising high on the European agenda. Creating institutions, equal opportunities and a tolerant environment are just some of the key ways of integrating migrants in the host society. Migrants, in their turn, may contribute to productivity and economic growth and to addressing pressing demographic needs. These needs are carefully balanced against concerns of security, national identity and social cohesion. For origin countries, while mass emigration poses a series of socio-economic challenges, if effectively managed, it can increase the local set of skills, and the remittances and savings of (return) migrants can help sustain local economies.

Migrants are a particularly vulnerable group worth closer scrutiny in this chapter. Immigrants can be at greater risk of vulnerability than non-migrants for various reasons: access or eligibility to social security benefits available in the host country when they become unemployed or experience poverty; access to healthcare; lack of appropriate documentation; lack of family or other social support in the country where they experience poverty; discrimination in housing and employment markets; lack of information regarding the services and support available in the host country; language; and pre-existing vulnerabilities that may have led them to leave their country of origin[32].

Population with a migrant background – the native-born offspring of immigrants with one or two foreign-born parents, the foreign born who arrived as children and the foreign born who arrived as adults. The notion of migrant is based on the place of birth rather than citizenship as the latter may change over time. "Recent" migrants are defined as those with less than ten years in the host country while "settled" migrants are those that have resided in the host country for over ten years. In the EU context, migrants are understood to be non-EU or third-country nationals who legally reside in the EU.

Source: OECD/European Union (2015), Indicators of Immigrant Integration 2015: Settling In, OECD Publishing, Paris

5.1. Migrant needs in receiving countries[33]

Migrant integration is a multi-dimensional process going beyond economy and labour markets. It also implies social, educational and spatial aspects – all closely interrelated, with failure in one area having negative implications for the rest. Better migrant integration is an objective yet to be achieved in most destination countries. Compared to the native born, immigrants as a whole still tend to have worse socio-economic outcomes (see Table 5.1), with improvements observed across time and generations. The gaps are particularly large in job skills, relative poverty and household overcrowding.

Table 5.1 EU average differences between immigrants/the children of immigrants and native born/the children of native born, 2013 or most recent year

Immigrants	
Employment rate	-1.9
Unemployment rate	4.2
Labour force participation rate	1.2
Share of workers hired under a temporary contract	4.7
Share of workers in low-skilled jobs	9.4
Share of self-employed	0.7
Over-qualification rate among highly-educated employed	11.0
Share of highly educated	4.0
Share with only basic literacy skills among the 16-64 years old	18.3
Poverty rate	12.3
Share reporting being in good health or better	-0.3
Share of persons living in an overcrowded dwelling	8.4
Voter participation	-5.5
Native-born immigrant offspring	
Share of low achievers in reading at the age of 15	11.1
Share of persons aged 15-34 neither in employment, education or training	8.4

Source: OECD/European Union (2015), Indicators of Immigrant Integration 2015: Settling In, OECD Publishing, Paris.
Notes: (1) The figures show the differences between foreign- and native-born unweighted averages (and between native-born immigrant offspring and the offspring of natives). (2) Unless otherwise stated, outcomes are compared for those aged 15-64.

[31] Source: CEB (2015), The integration of migrants in Europe, Chapters 2&5; CEB (2016), Briefing Note 1/2016, Europe's refugee crisis: from emergency response to longer-term integration.
[32] Source: OECD (2015), Integrating Social Services for Vulnerable Groups: Bridging Sectors for Better Service Delivery, OECD Publishing, Paris.
[33] Section largely based on OECD/European Union (2015), Indicators of Immigrant Integration 2015: Settling In, OECD Publishing, Paris.

Across Europe, it is generally more challenging to integrate immigrants from outside the EU, with disparities between non-EU nationals and host-country nationals generally greater than differences between foreign-born and native-born. Third-country nationals tend to be recent arrivals, facing legal barriers, limited access to social services such as housing, and difficulties in getting their qualification recognised. In recent decades, policies have tended to focus on managing this immigration from non-EU countries while improving the integration conditions of non-EU foreigners living and working in Europe.

Overall, certain categories of needs can be identified when it comes to achieving effective integration of migrants in their countries of destination, notably:

- **Education inclusion, to reduce the gap in educational attainment**

According to the OECD/European Union (2015), improvements in educational attainment have been registered in many countries, mostly as a result of new arrivals that are on average better educated than settled immigrants and thus, their children perform better. When compared with their peers with no migrant background, however, the offspring, still often perform worse at school, with, for example, a significant gap of 11 percentage points in the share of low achievers in reading registered for 15 year-olds at EU level (see Table 5.1).

Educational attainments are vital for subsequent labour integration everywhere. For the children of migrants, improvements in employment rates associated with high levels of education are large, but still below their peers with no migrant background and with significant gender differences. For immigrants that arrived as adults, the connection between educational attainment and employment is the weakest. Host-country employers often fail to recognise foreign credentials. This is a particular challenge for third-country nationals coming from lower-income countries where educational systems do not perform as well as those in the EU. The employment rate among immigrants with a host-country degree, for example, is ten points higher than among those with a foreign qualification and is comparable, on average, to the rate among native born. Training, including language courses, and on-the-job programmes seem to be particularly beneficial for overcoming this gap.

- **Labour inclusion, to better employ immigrants**

Immigrants are more likely to be out of work, with 62% of foreign born and 54% of third-country nationals being in employment against 65% of the native born in 2012-2013. Countries home to high proportions of immigrants tend to have the highest immigrant employment rates. One reason for this is that these countries tend to have greater shares of labour migrants. Family and humanitarian migrants generally have lower labour market outcomes, and measures are needed to make these groups of migrants employable.

In 2012-2013, in the EU, the unemployment rate for all immigrants was 16% or six percentage points higher than for the native born and six percentage points lower than for the non-EU foreigners. Although unemployment is generally greater among people with low levels of education, the gap in unemployment between foreign and native born is wider among those with tertiary education degrees, standing at almost double. Moreover, 30% of immigrants with tertiary degrees and 44% of high-educated third-country nationals were overqualified for their job, compared to less than 20% for the native born. This phenomenon raises concerns regarding the under-utilisation of education and skills among immigrants and "brain waste".

The global financial and economic crisis has had more negative consequences for immigrants than for the native born, with recent immigrants and those with low levels of qualification being affected the most. The harder the country has been hit, the wider the unemployment gap and the more immigrants have been exposed to precarious working conditions, leading to irregular and insecure employment.

- **Access to adequate housing, to address poverty, segregation and urban exclusion**

Immigrants' housing conditions depend to a large extent on circumstances, such as the type of entry. During asylum procedures, for example, migrants are normally offered housing in reception facilities. These establishments, however, are often substandard and overcrowded. In the rental market, limited information and access to credit, and sometimes discrimination by landlords, expose immigrants to inadequate housing. Social and affordable housing is a solution, but some households are not eligible and, even when they are, the application process can take a long time before they can actually enter the house. Immigrants also risk concentrating in deprived neighbourhoods, leading to their further segregation and urban exclusion.

Across the EU in 2012, an average of 39% of people in third-country national households were living in relative poverty. This rate was twice the share among host-country nationals (17%) and was significantly higher than that for EU foreigners (28%). Addressing poverty, housing and social exclusion normally requires a holistic approach, through targeted employment, education, health and housing measures.

- **Civic integration and social cohesion, to improve the sense of social inclusion, particularly among immigrant offspring**

Native-born children of immigrants are more likely to feel discriminated against than their peers who immigrated. During the period 2000-2012, nearly a quarter of third-country nationals felt they were discriminated against because of their origin. Better sentiment was registered in longstanding settlement countries. Civic integration, with shared emphasis on learning the national language of the country of settlement and its core civic values, is one way of addressing this challenge. The status of undocumented migrants and the processing of asylum seekers are other issues that have been rendered more acute in the recent refugee crisis (see 5.3) and still remain to be resolved.

5.2. Needs in origin countries

Across the EU, emigration countries are the latest EU member states – the countries of Eastern and South-Eastern Europe – with migration towards other EU states. Some of these emigration countries are also transit migration countries, and others are in the preliminary stages of becoming hosts of third-country immigrants. The inflow of immigrants is mainly from the Republic of Moldova and the Western Balkans, and on a smaller scale, from Asia.

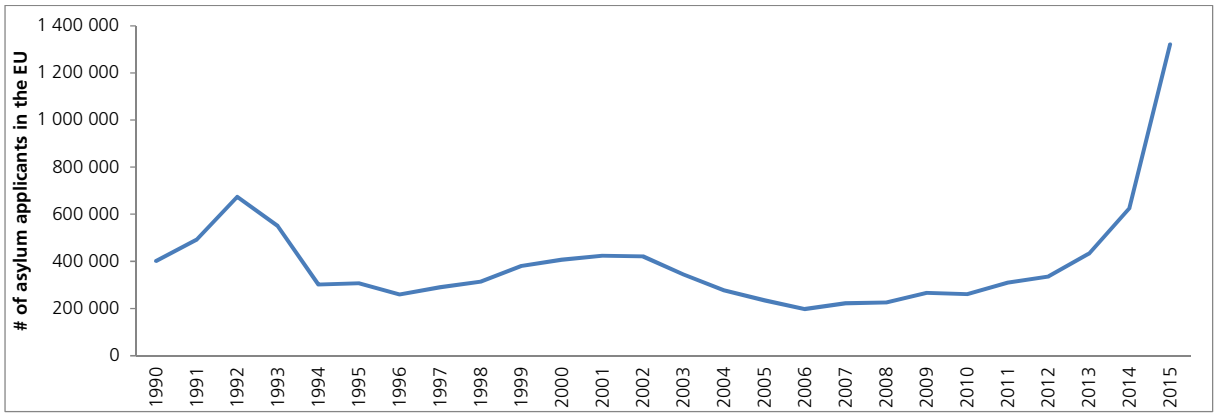
When migration occurs voluntarily and is linked to the labour needs of the countries of origin and destination, it is generally beneficial for everyone. In sending countries, remittance transfers and diaspora investment initiatives contribute to poverty reduction. Job opportunities abroad can help motivate the young to acquire appropriate skills. However, certain challenges exist. Origin countries often have great difficulties in transforming remittances into sustainable investment, and these flows often lead to (conspicuous) consumption. The human development implications are also complex, with concerns about "brain drain", "brain waste" and the negative social consequences for those left behind, such as change in family composition, family separations, the abandonment of old people and child outcomes in terms of labour, health and education. Dwindling birth rates put additional pressures on the sustainability of social systems. The expectation of return mobility if the situation in the country of origin improves tempers such risks.

In origin countries, the overarching need is thus to effectively manage migration in order to maximise its development impact. Fostering assimilation support, partnerships for mobility, a transparent investment climate and incentives for return migration may address some of the concerns regarding the over-qualification and unemployment of immigrants in destination countries and, at the same time, sustain local economies. The integration of immigrants is also a reality for net origin countries.

5.3. Europe's refugee crisis: from emergency response to longer-term integration

Management of the refugee crisis is one of the main challenges facing Europe and its society today, not only because of the magnitude (see Figure 5.1) and pace of the crisis itself but also on account of the complexity of its social, political and economic implications[34].

Figure 5.1: Asylum applications in the EU, 1990-2015



Source: UNHCR (1990-1997), Eurostat (1998-2015): [migr_asyctz] and [migr_asyappctza]

Since the drivers of move for asylum seekers and refugees (fleeing violence, war and persecution) are different from those of economic migrants[35] (driven by better economic opportunities), their needs are specific. Because asylum seekers and refugees leave their countries forcefully, they are the most vulnerable group among all migrants, suffering from psychosocial and post-traumatic stress disorders or forms of disability and often having serious health needs.

The refugee crisis has given rise to large-scale humanitarian and integration needs in transit and destination communities, requiring not only immediate and coordinated action but also longer-term and more structural responses.

- **Early action at all levels: from national to local response**

The sooner refugees know whether they can stay, the more effort and (scarce) resources they can invest in their integration into host country societies. The sooner a decision is taken, the fairer and more feasible it is to send back those whose requests are refused in full respect for international law and human rights. Furthermore, early action should be seen as an "investment": for example, the earlier refugees get formal labour market access, the better their integration prospects in the long run.

As integration remains the responsibility of member states, action is required at national level, especially in the EU countries where significant numbers of refugees have received or are expected to receive asylum. The distribution of refugees across regions and municipalities should come with adequate support and resources from the national level. Effective integration largely depends on there being adequate capacity and implementation at local level. Even though host countries such as Germany and Sweden have long-standing experience in the integration of migrants and refugees, the current situation calls for comprehensive and coordinated policies and measures, particularly in terms of access to housing, education, health and employment.

[34] Analysis is provided in the CEB's Briefing Note I/2016, Europe's refugee crisis: from emergency response to longer-term integration.

[35] It is important to distinguish between the terms "asylum seeker", "refugee" and "migrant". The term "**migrant**" is a generic term for anyone moving to another country with the intention staying for a certain period of time. The term "**humanitarian migrant**" refers to people who have successfully applied for asylum and have been granted some sort of protection – refugee or other status. In practice, only a minority of asylum seekers are granted refugee or some other form of humanitarian migrant status, while the rest have to leave the country. If not, they become "**undocumented migrants**".
Asylum statistics include: (1) **asylum seekers** who have lodged a claim (asylum applications) and whose claim is under consideration by a relevant authority; and (2) persons who, after consideration, have been recognised as **refugees**, or have been granted another kind of international protection (subsidiary protection), or were granted protection on the basis of the national law related to international protection (authorisations to stay for humanitarian reasons), or were rejected from having any form of protection. Source: Eurostat

- **The key role of labour market integration**

Empirical evidence[36] shows that the labour market performance of refugees is usually less positive than that of economic migrants, particularly in the short run: while their asylum application is being considered, asylum seekers face greater legal barriers to employment. Furthermore, while economic immigrants, by definition, choose their destination to maximise employment opportunities, the primary goal of refugees is to secure personal safety.

Granting asylum seekers early access to the formal labour market or self-employment is a key pre-requisite for their rapid integration in the workforce. Enabling them to become language proficient, to get their educational and professional credentials recognised and, if needed, to complement their skills with additional training will be critical for their successful integration and for these flows to have a positive economic impact in the destination countries.

While in the short term, the economic impact of the refugee surge is materialised in additional public spending for the provision of first reception and basic support services such as shelter, food, water, medical and social care, in the medium to long run, the impact on employment and GDP will mainly depend on the speed of the integration of refugees into the labour market and the extent to which the newcomers' skills will complement those of the native labour force[37]. The IMF has calculated that, if the majority of refugees and other new arrivals successfully integrate into the EU job market, by 2020, GDP for the EU as a whole could rise by about 0.25%, and between 0.5% and 1.1% in countries with high concentrations of refugees, such as Germany, Sweden and Austria[37].

- **A holistic approach to integration via education, financial inclusion and access to housing**

Education inclusion and language training
Early integration into the education system is crucial for refugee children[38] since they not only need to learn the host-country language, but also to catch up for the years of missed schooling. Academic scholarships and apprenticeship programmes will be important for refugee students so they continue their education and training. Education is indeed a key determinant of subsequent labour market performance and may affect social integration.

Financial inclusion
Access to financial services can facilitate integration. Many barriers may hinder the access to, and use of, formal financial services by asylum seekers. These include documentation requirements (such as proof of residency), high transaction fees, lack of financial literacy, language barriers, and cultural and religious differences. Microfinance can help immigrants to access credit. Immigrant entrepreneurship can be promoted with tailored products such as microcredit for self-employment and microenterprise creation, and specific services such as legal assistance and pre-loan assistance with business planning. The private sector can play a crucial role in this respect.

Access to adequate housing
The inflow of refugees is expected to put pressure on the market for affordable housing in the main destination countries. The expansion of affordable accommodation is particularly crucial in areas where it is easier for refugees to find work. Refugees also risk concentrating in deprived neighbourhoods, leading to their further segregation and exclusion. Addressing poverty, housing and social exclusion requires a holistic approach, through targeted employment, education, health and housing measures.

[36] An important caveat is that existing studies do not generally distinguish between economic immigrants and refugees.
[37] Source: IMF (2016), The Refugee Surge in Europe: Economic Challenges, Staff Discussion Note, January 2016
[38] In 2015, 23% of minors entering the EU were unaccompanied and in need of immediate assistance. Almost 90,000 unaccompanied minors registered among asylum seekers in the EU-28 in 2015 (with 40% recorded in Sweden). While the number of unaccompanied minors stood between 11,000 and 13,000 in the EU over the period 2008-2013, it almost doubled in 2014 to reach slightly more than 23,000 persons, then nearly quadrupled in 2015. This is a seriously worrisome aspect of the crisis, requiring specific responses in terms of housing, supervision, schooling and support measures.

5.4. Sub-regional integration needs assessment

All CEB member states are hosts to migrants, either as final destinations or as transit routes. Some countries however have large shares and/or inflows of migrants and face more acute integration issues while others host populations with a migrant background that tend to perform rather well. These differences in migratory pressures and integration needs are generally a result of the countries' history as destinations for migrants, the profile of the migrants they have attracted, their socio-economic outcomes and the duration of their residence.

The OECD/European Union (2015) classifies OECD and EU countries as immigrant destinations according to key foreign-born population characteristics: the shares of foreign-born, recent migrants, tertiary-educated migrants, immigrants born in a high-income country, native-speaker immigrants and old immigrants. This classification presented below follows the OECD approach, and CEB member countries are grouped as such (see Table 5.2) in order to evaluate migrant integration challenges.

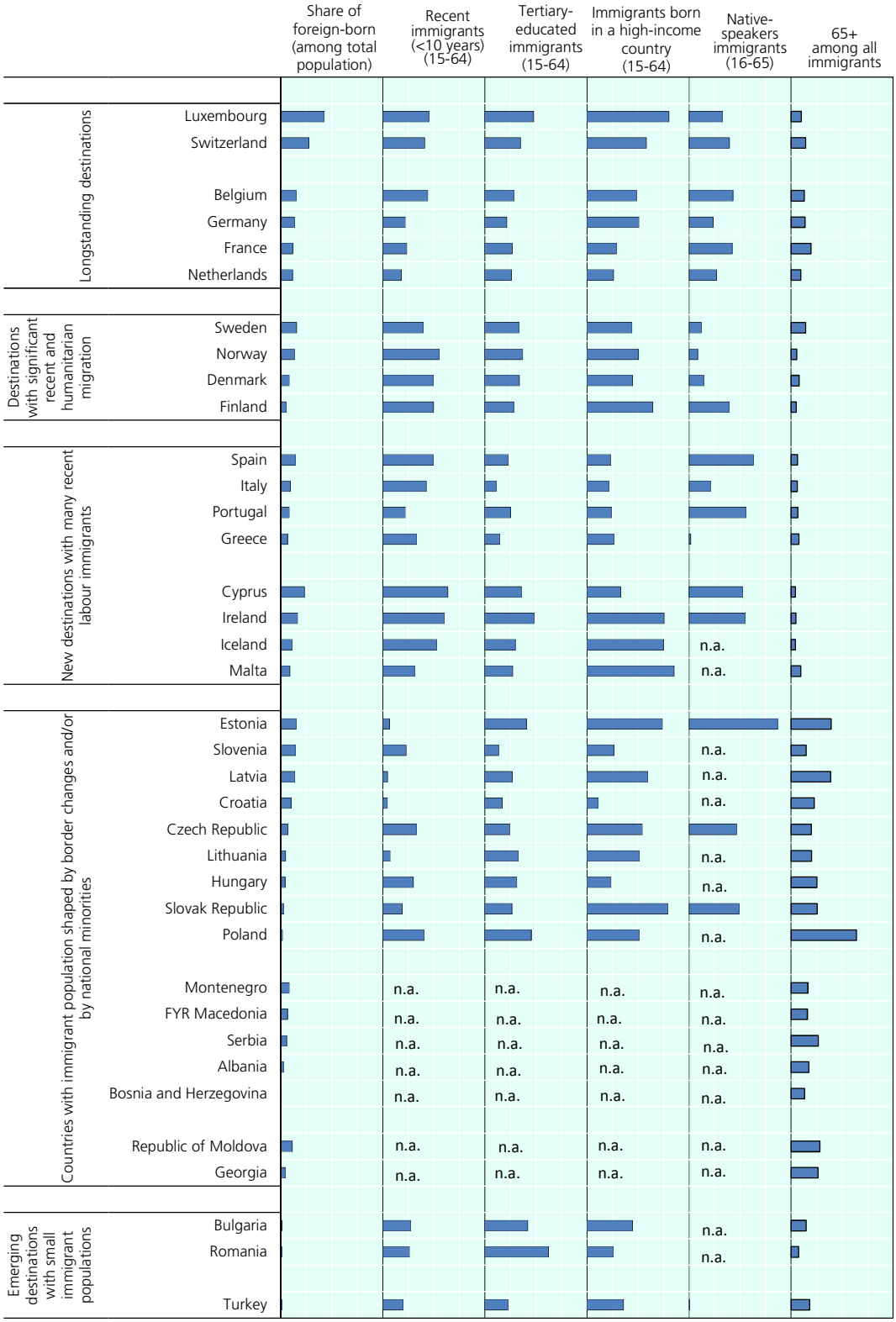
Differences in integration needs are also a consequence of the level of development of the receiving societies and the effectiveness of their integration policies, whether general or targeted. Global geopolitical events also affect the scale and profile of migration. War and persecution in Syria, Eritrea and other conflict-ridden zones, for example, have led to unprecedented inflows of refugees and asylum seekers, creating significant pressures on Europe's southern border and transit countries.

These needs generally depend on the profile of migrants, taking into account the following characteristics: demographic (e.g. age of arrival, country of birth and duration of residence), socio-economic (e.g. education, employment and level of development of the country of origin) and socio-cultural (e.g. mother tongue and language acquisition). Integration needs also depend on the level of development of the receiving societies and the effectiveness of general and targeted integration policies. While some host countries have a longstanding migration and admission experience and thus, have elaborated integration policies, there are those that have only recently turned into immigration countries. The evaluation of integration policies is beyond the scope of this chapter, and the analysis focuses on certain indicators of integration outcomes that help define integration needs.

In order to understand migrant integration needs across CEB member states, the outcomes of immigrants are evaluated for each group of countries, previously classified as destinations, against a reference group – the native born. Furthermore, the outcomes of native-born offspring with foreign-born parents are evaluated against the outcomes of native-born offspring with native-born parents. One common way to measure the outcomes of a target group against those of a reference group is by using differences in outcomes expressed in percentage points, as presented in Table 5.3.

The overall assessment of integration outcomes shows that employment, job quality and educational attainment are interlinked areas, where the foreign born tend to have difficulties. The education of migrant offspring is an area of particular concern in almost all countries, with mean PISA reading scores being lower compared with those of children with native-born parents. Overcrowding, segregation and relative poverty are social issues in densely populated areas. Health is reported to be an issue in most Central and Eastern European countries, where the foreign born are an ageing group. Across the EU, the overarching issue is the integration of third-country nationals. They face greater restrictions on mobility and normally have different reasons for migrating, often as asylum seekers or for family reunification, implying the need for targeted measures.

Table 5.2 Classification of CEB member states as immigrant destinations



Source: Table based on OECD/European Union (2015), Indicators of Immigrant Integration 2015: Settling In, OECD Publishing, Paris. Data from 2010-2013. Notes: (1) Original table customised: countries that are not CEB member states were removed from the source and seven CEB member countries were added, namely Albania, Bosnia and Herzegovina, Georgia, Montenegro, Republic of Moldova, Serbia and "the former Yugoslav Republic of Macedonia". (2) For the countries added, the share of foreign-born (migrant stock) and the share of old immigrants is based on the UN Country Profiles (2013), http://esa.un.org/MigGMGProfiles/indicators/indicators.HTM#europe, accessed on 24 July 2015.

Table 5.3 Selected integration indicators for CEB member countries classified as immigrant destinations

		Differences between the foreign born and native born (percentage points) + Higher than native born - Lower than native born					% among foreign born living in the country for 10 years or more	Differences between native born with foreign-born parents and native born with native-born parents	
		Employment rate (15-64)	Overqualification rate (15-64)	Poverty rate (15+)	Share living in overcrowded dwellings (15+)	Share of persons in overall good health (15+)	Share of nationals (15+)	Mean PISA reading scores (points) 15 years	NEET rate (percentage points) 15-34
Longstanding destinations	Luxembourg	+11	+4	+18	+9	+1	22	-53	+1
	Switzerland	-5	-2	+9	+8	+1	45	-53	+2
	Belgium	-11	+11	+26	+4	-1	62	-60	+18
	Germany	-8	+15	+5	+7	-1	61	-43	+3
	France	-8	+7	+18	+9	-4	62	-56	+9
	Netherlands	-14	+8	+15	0	+1	78	-56	+8
Destinations with significant recent and humanitarian migration	Sweden	-14	+19	+11	+9	+1	84	-40	+3
	Norway	-7	+22	+14	+15	+7	72	-31	+4
	Denmark	-12	+14	+18	+12	+1	50	-49	+6
	Finland	-6	+11	+23	+6	+20	66	-65	+17
New destinations with many recent labour immigrants	Spain	-5	+21	+21	+6	+14	34	-47	+8
	Italy	+3	+39	+17	+28	+17	37	-40	..
	Portugal	+4	+8	+5	+11	+18	81	-31	..
	Greece	-1	+32	+25	+30	+16	29	-33	..
	Cyprus	+6	+25	+18	+5	+20	45	..	..
	Ireland	0	+11	+5	+2	+9	56	-3	..
	Iceland	-1	+26	+14	+17	+10	83	-16	..
	Malta	+2	0	-	+8	+11	57	..	..
Countries with immigrant population shaped by border changes and/or by national minorities	Estonia	0	+23	+11	+1	-28	38	-36	..
	Slovenia	-2	0	+14	+21	-2	91	-36	..
	Latvia	-3	+5	+3	-3	-25	27	-	..
	Croatia	-5	+3	+6	+4	-5	99	-12	..
	Czech Republic	+1	+7	+14	+21	-3	75	-21	..
	Lithuania	+4	+10	+6	-1	-15	92	-25	..
	Hungary	+10	+3	-3	-4	+8	85	-	..
	Slovak Republic	+5	-5	-	+2	-18	89	-	..
	Poland	+1	-4	+10	-11	-39	92	-	..
	Montenegro	..	..	..	..	..	..	..	..
	FYR Macedonia	..	..	..	..	..	..	..	..
	Serbia	..	..	..	..	..	..	..	..
	Albania	..	..	..	..	..	..	..	..
	Bosnia and Herzegovina	..	..	..	..	..	..	..	..
	Republic of Moldova	..	..	..	..	..	..	..	..
	Georgia	..	..	..	..	..	..	..	..
Emerging destinations with small immigrant population	Bulgaria	-3	-	-9	+19	-13	68	-	..
	Romania	+4	-	-	-	-	-	-	..
	Turkey	-3	-5	..	..	..	..	-	..
	EU total	-3	+13	+13	+5	+5	59	-32	+4

Source: Table based on OECD/European Union (2015), Indicators of Immigrant Integration 2015: Settling In, OECD Publishing, Paris.
Data from 2010-2013.
Notes:
(1) Averages by sub-group in Tables 5.2 and 5.3 are unweighted.
.. : not available.
- : not significant.
(2) Original table customised: countries that are not CEB member states were removed from the source and seven CEB member countries were added, namely Albania, Bosnia and Herzegovina, Georgia, Montenegro, Republic of Moldova, Serbia and "the former Yugoslav Republic of Macedonia". Due to lack of available data for Tables 5.2 and 5.3, the two tables do not include Kosovo, Liechtenstein, San Marino or the Holy See.
(3) Countries highlighted are CEB target countries.

I. Longstanding destinations with a large share of recent and settled migrants

In Switzerland and Luxembourg, the foreign born account for as much as 28% and 43% of their respective populations (see Table 5.2). Immigrants are mostly economically-driven and tend to be highly educated, with at least 35% of those of working age having a tertiary degree. Labour market outcomes are positive and similar to the native-born, including for the offspring. Nevertheless, a particular issue is adequate housing. Immigrants tend to have lower home-ownership rates and to live in lower quality housing compared to the native born. The share of the foreign born living in overcrowded dwellings is 8 to 9 percentage points higher than for the native born (see Table 5.3).

In Belgium, Germany, France and the Netherlands, between 12% and 15% of the population are foreign-born. Immigration was initially driven by guest-worker arrangements, followed by family reunification. These countries also host humanitarian migrants and their families. The level of education of migrants is lower, a disadvantage which is passed on to the children. Given this profile, the market outcomes for migrants are worse than for their native-born peers: the employment rate is on average from 6 to 14 points lower (see Table 5.3). This translates into higher relative poverty and poorer-quality housing, particularly in concentrated urban areas. In addition, education and labour integration measures are needed to address higher relative poverty and over-qualification rates and the lower education and labour market outcomes of migrants, taking close account of gender differences and the specific profile of humanitarian migrants and their families. Access to adequate healthcare in an accessible language is also an important social need, particularly for retiring guest workers.

II. Destination countries with significant recent and humanitarian migration

Nordic countries have been hosts to humanitarian immigrants and their families, groups generally facing more difficulties to integrate. These countries have nevertheless strong integration policies. Civic integration, including language acquisition, is needed for the effective integration of humanitarian immigrant and their families who tend to be non-native speakers – a preponderant type of immigrants in this group of CEB member states. Given this migrant profile, transition to the labour market needs to be facilitated for immigrants and their offspring through targeted education and labour market measures. At the same time, other interlinked social issues such as housing and poverty need to be addressed in a holistic manner.

III. New destinations with many recent labour immigrants

Most of Southern Europe is home to labour migrants who came to fill low-skilled jobs in the first half of the 2000s, up to the onset of the 2008 financial and economic crisis. An overwhelming majority come from lower-income countries. The impact of the crisis is particularly strong for immigrants in this group of countries, in particular for the non-EU nationals. For poorly educated migrants, employability has become a critical issue. For highly educated migrants, over-qualification has been more acute than in other groups of countries. In particular in Ireland, Iceland and Malta, many recent migrants are highly educated, but employability is an issue largely because skills are country-specific. Training programmes and skills transferability and other targeted measures are important for labour inclusion. At the same time, when conditions for return are met, return programmes may also be a solution for addressing employability and "brain waste". Sub-standard housing is also a key issue in these countries.

Recently, a major issue in some countries in this group has been dealing with a large influx of refugees and asylum seekers. Across the EU, regular border controls are the exclusive responsibility of member states. In the recent geopolitical crises, some countries in this group, namely Greece and Italy[39], have faced more pressure given the massive surge in refugees and asylum seekers, and the trend is expected to continue. Malta, another country in this group which has a similar geographic situation to Italy and Greece, has faced similar situations in the past.

IV. Countries with immigrant population shaped by border changes and/or by national minorities

This group includes most new EU member states from Central and Eastern Europe, the countries in the Western Balkans, the Republic of Moldova and Georgia – all countries that found themselves with a foreign-born population mainly as a result of border changes. Employability is generally similar to the native-born.

A key issue faced by some countries in this group is illegal border crossing and trafficking. As migrants head towards countries where they have historical or cultural bonds or where larger groups from the same country of origin have already settled and have sent back positive information, the Western Balkans have been a transit region, in particular recently in the context of Europe's refugee crisis. The record number of migrants arriving in Greece had a direct knock-on effect on the Western Balkan route in 2015, as the people who entered the EU in Greece tried to make their way via the former Yugoslav Republic of Macedonia, Serbia into Hungary and Croatia and then towards Western Europe. This led to unprecedented numbers of migrants seeking to re-enter the EU through Hungary's borders with Serbia. After Hungary completed the construction of a fence on its border with Serbia in September 2015, the flow of migrants shifted to Croatia. In all of 2015, the region recorded 764,000 detections of illegal border crossings by migrants, a 16-fold rise from 2014[40]. Due to now closed borders on the Balkan route, other EU and non-EU countries could be (more) affected, either as "new transit routes" or even new destinations.

[39] In 2014, Italy saw 277% more irregular border crossings than in 2013, representing 60% of the total number of irregular border crossings in the EU. A steady rise was also registered in Greece, with a 153% increase in the number of irregular border crossings in 2014 compared to 2013, representing 19% of the total number of irregular border crossings in the EU.

[40] Source: http://frontex.europa.eu/trends-and-routes/western-balkan-route/

Some countries in this group have to address the protracted situation of displaced persons following the Yugoslav wars of the 1990s. Between 1991 and 1995, these conflicts displaced more than two million people, many of whom moved from previously mixed areas into locations that were populated by people of the same ethnicity. The 1999 Kosovo conflict led to renewed mass displacements in the region. In 2008, for example, the UNHCR included Serbia among the five countries in the world with a protracted refugee situation: with more than 86,000 refugees from Croatia and Bosnia and Herzegovina, and some 200,000 IDPs from Kosovo, Serbia was the first country in Europe for the number of refugees and IDPs[41].

Georgia is also a country in this group that needs to address the situation of IDPs: most IDPs were displaced in the early 1990s as a result of conflicts in Abkhazia and South Ossetia, while a smaller number were displaced during conflict with the Russian Federation over South Ossetia in August 2008. Estimates from the Internal Displacement Monitoring Centre (IDMC) show that there were up to 232,700[42] IDPs in the country as at December 2014, and the government reported in the same month that it had registered 262,704 people as IDPs.

Another concern in many of these countries is that immigrants are an ageing group, implying the need for access to adequate healthcare.

V. Emerging destinations with small immigrant populations

In this group, the population of immigrants increased at the beginning of the 2000s either as a result of returnees or labour immigrants. In Romania, immigrants have better labour outcomes than the native-born, while the reverse is observed in Bulgaria and Turkey (see Table 5.3). In all three countries in this group, the foreign born represent less than 2% of the population. As a result, according to the OECD, reliable information on many integration outcomes is not available (see Table 5.3). This proportion of foreign born has nevertheless more than doubled since the beginning of the 2000s, driven by labour immigration or the return of former emigrants' offspring. One particular situation is in Turkey, now the largest refugee-hosting country worldwide, host to 2.7 million Syrian refugees[43] (56% of total Syrian refugee inflows and 3% of its own population), mostly under temporary protection status.

Migrant integration implies education, labour, housing, spatial and social inclusion. These are all interrelated aspects, with failure in one area leading to negative implications for the rest. Successful integration of migrants and their active participation in economic and civic life through appropriate social policies and effective access to education, labour markets, housing and public services, are key components of a comprehensive approach to an inclusive society.

Given the CEB's long-standing experience and bearing in mind that member states are likely to seek assistance in integrating refugees through several sectors, it is highly likely that multi-sector integration programmes will become an essential element of the response by recipient countries in the years to come. A multi-sector approach in the field of integration of refugees, displaced persons and migrants will require enhanced financing instruments that can facilitate blending mechanisms combining grants and loans, increased reactivity on emergency aid and bridge finance, since a timely, customised response remains extremely important in these programmes.

In the longer term, the CEB will continue to provide financing for integration projects with a migrant component, targeted to vulnerable populations. In particular, the CEB will continue to finance social investment projects aimed at improving living conditions and strengthening the social inclusion of the most vulnerable groups, including those with migrant backgrounds. To this end, the Bank will continue to provide financing for local infrastructure, decent and affordable housing, skills development and job creation, while following a more localised approach and combining hard and soft investments. Specially designed legal support services, publications in different languages, social and counselling services, education support programmes, health information and screening programmes together with measures to enhance access to the labour market are just some examples of the "soft" measures that will need to be expanded and developed to meet the needs of migrants in the long-term.

[41] OSCE (2011), Factsheet on Refugees and Displaced Persons: November 2010, 7 March 2011.

[42] The IDMC estimate of 232,700 internally displaced is arrived at by: (1) deducting from the official government figure of 262,704 at least 45,000 IDPs who have spontaneously returned to Abkhazia (UNHCR, 31 July 2009); and (2) adding: some 5,000 IDPs still displaced within South Ossetia as a result of the 1991-1992 conflict (UN HRC, 14 January 2010) and at least 10,000 IDPs in South Ossetia displaced due to the 2008 conflict (United Nations Inter-agency Humanitarian Assessment Mission to South Ossetia, 2008).
Source: IDMC, Georgia IDP Figures Analysis, http://www.internal-displacement.org/europe-the-caucasus-and-central-asia/georgia/figures-analysis

[43] According to the UNHCR (as at 30 September 2016), an additional 2.1 million Syrian refugees are registered in Egypt, Iraq, Jordan, Lebanon and North Africa. Source: http://data.unhcr.org/syrianrefugees/regional.php

Chapter 6: Risks of and vulnerability to extreme climate events[44]

This chapter explores the geographical patterns for climate-related investment across CEB member countries. It starts by identifying how different regions across CEB countries will be affected by climate pressures and then links the projected impacts with potential demand.

The chapter largely follows the taxonomy for Europe employed by the European Environment Agency (EEA) and the Intergovernmental Panel on Climate Change (IPCC) (see Box 4).

All regions across CEB countries (see Table 6.1) will experience different degrees of vulnerability to environmental challenges depending not only on climate change impacts and socio-economic processes such as rapid urbanisation, but also on the adaptive capacity of countries to respond to the implications of such projections.

Box 4: The European Environment Agency (EEA) and the Intergovernmental Panel on Climate Change (IPCC)

Established in 1990 and operational since 1994, the EEA is an agency of the European Union. Its core objective is to produce European, pan-European and regional integrated environmental data and indicator sets, assessments and thematic analyses. At the time of writing, the EEA had 33 member countries and six cooperating countries, of which 37 were CEB member countries, i.e. except for Georgia, Holy See, San Marino and Republic of Moldova.
Source: EEA website

Set up in 1988 by the World Meteorological Organization and United Nations Environment Programme (UNEP), the IPCC is the international body for assessing the science related to climate change. It produces regular assessments of the scientific basis of climate change, its impacts and future risks, and options for adaptation and mitigation.
Source: IPCC website

At the time of writing, the EEA report on "Climate change, impacts and vulnerability" published in 2012 and the IPCC's Fifth Assessment Report "Climate Change 2014: Impacts, Adaptation, and Vulnerability" released in November 2014 were the latest comprehensive scientific and technical assessments of climate change for Europe. This chapter makes substantial reference to the conclusions and taxonomies from these two reports. Regarding climate projections, the chapter makes reference mainly to the IPPC's report as the IPCC draws on a range of scenarios and models, contrary to the EEA report, built around one scenario.

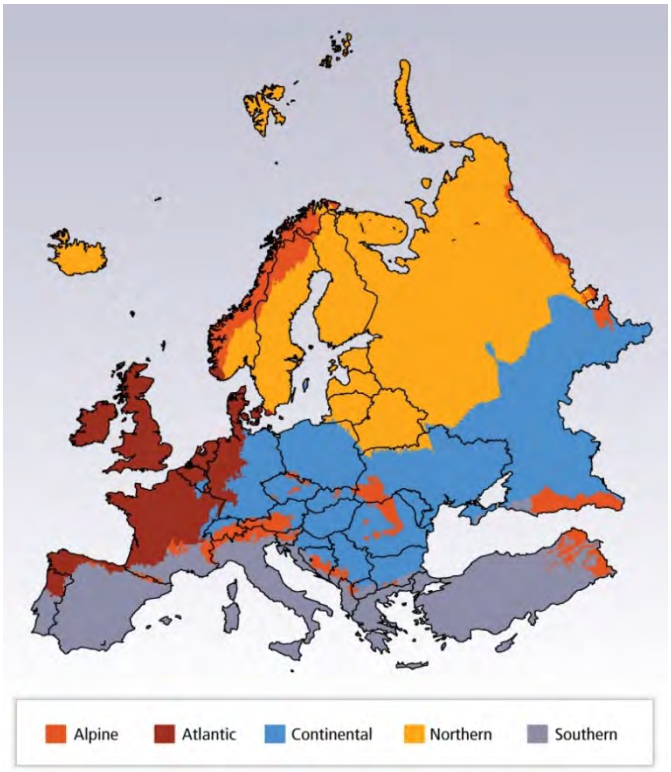
[44] Source: CEB (2015), Addressing environmental challenges and their social implications in Europe, Chapters 1&2

Table 6.1: Sub-regional classification of CEB countries

	Alpine	Atlantic	Continental	Northern	Southern
CEB target countries	Albania Bosnia and Herzegovina Bulgaria Czech Republic Kosovo Montenegro Poland Romania Serbia Slovak Republic Slovenia "the former Yugoslav Republic of Macedonia" Turkey	-	Albania Bosnia and Herzegovina Bulgaria Croatia Czech Republic Hungary Kosovo Poland Republic of Moldova Romania Serbia Slovak Republic Slovenia "the former Yugoslav Republic of Macedonia"	Estonia Latvia Lithuania Poland	Albania Bosnia and Herzegovina Bulgaria Croatia Cyprus Malta Montenegro Slovenia "the former Yugoslav Republic of Macedonia" Turkey
CEB non-target countries	Finland France Germany Italy Norway Spain Sweden Switzerland	Belgium Denmark France Germany Ireland Luxembourg Netherlands Portugal Spain	Belgium France Germany Luxembourg Switzerland	Finland Iceland Norway Sweden	France Greece Italy Portugal Spain

Source: CEB table based on the IPCC's sub-regional classification of Europe, see Figure 6.1.
Notes:
(1) Holy See, Liechtenstein and San Marino are not included in the table.
(2) Georgia is classified as West Asia in the IPCC's 2014 assessment report and is not included in the table either.

Figure 6.1 IPCC sub-regional classification of Europe



Source: IPCC (2014), Climate Change 2014: Impacts, Adaptation, and Vulnerability, p. 1274

6.1. Climate change adaptation: strengthening resilience to (extreme) climate events

When analysing present and future climate projections, almost all sectors and all regions of CEB countries have been and will continue to be affected. Responding to these risks (and benefits) means adapting to climate change, while taking into account other socio-economic factors such as urbanisation.

Adaptation consists of actions responding to current and future climate change impacts and vulnerabilities (as well as to the climate variability that occurs in the absence of climate change) within the context of on-going and expected societal change[45]. This means not only protecting against the negative impacts of climate change, but also building resilience and taking advantage of the benefits it can bring. The earlier adaptation responses are planned and implemented, the better equipped societies will be to cope with the challenges. In many respects, adaptation can be seen as a process of managing society's portfolio of assets. These assets include built infrastructure, natural environment, society and economy.

A first step towards adaptation to future climate change is reducing vulnerability and exposure to present climate variability. Adaptation is not a one-off measure; it can be seen as a continuous process, involving forward-looking anticipatory measures. Adaptation is place- and context-specific, with no single approach for reducing risks. Effective risk reduction and adaptation actions have to consider the dynamics of **vulnerability** (i.e. the propensity or predisposition to be adversely affected) and **exposure** (i.e. the presence of people, livelihoods, species or ecosystems, environmental functions, services, resources, infrastructure or economic, social or cultural assets in places and settings that could be adversely affected) and their linkages with socioeconomic processes, natural variability, sustainable development and climate change.

Adaptation options can be grouped under three broad categories: "**grey**" options that rely on technology and civil engineering projects; "**green**" options that make use of nature; and "**soft**" options that aim at altering human behaviour and styles of governance. Often, implementing a combination of these measures is an effective way to ensure resilience. In addition, measures that provide benefits under the current climate and future climate change scenarios, called "**low-regret**" measures[46], are the starting points for addressing projected trends in exposure, vulnerability and climate extremes. They have the potential to offer benefits now and to lay the foundation for addressing projected changes. Many of these low-regret strategies produce co-benefits, help address other development goals, such as improvements in livelihoods, human well-being and biodiversity conservation, and help minimise the scope for maladaptation[47].

- **Urban and rural adaptation**

There are considerable differences in the character and severity of the consequences of climate change with which CEB countries, regions and geographical zones will have to cope (see section 6.2).

Three quarters of the population in CEB countries live in **urban areas** and according to the IPCC (2014)[48], this is where many global risks of climate change are concentrated and will be most apparent in everyday life. Heat stress, extreme precipitation, inland and coastal flooding, landslides, air pollution, drought, and water scarcity pose risks for people, assets, economies and ecosystems. Risks are amplified for those lacking essential infrastructure and services or living in poor-quality housing and exposed areas. Urban adaptation based on reducing basic service deficits and building climate-resilient infrastructure can significantly reduce vulnerability and exposure in urban areas. At the same time, urban adaptation to climate change offers opportunities for developing new jobs and promoting innovation.

[45] Source: EEA (2013), Adaptation in Europe. Addressing risks and opportunities from climate change in the context of socio-economic development, 03/2013

[46] Low-regret measures include early warning systems; risk communication between decision makers and local citizens; sustainable land management, and ecosystem management and restoration. Other low-regret measures include improvements to health surveillance, water supply, sanitation, irrigation and drainage systems; development and enforcement of building codes; better education and awareness.

[47] Maladaptation occurs when specific adaptation actions: (1) do not increase resilience/adaptive capacity or do not reduce vulnerability; (2) are not sustainable from an environmental, economic or social perspective (e.g. over-exploitation of water resources); or (3) conflict with other long-term policy objectives, such as climate change mitigation targets (EEA, 2009; IPCC, 2007). Maladaptation can be avoided by considering both the climatic and the socio-economic elements that constitute vulnerability to climate change.

[48] Source: IPCC (2014): Summary for Policymakers. In: Climate Change 2014: Impacts, Adaptation, and Vulnerability. Part A: Global and Sectoral Aspects. Contribution of Working Group II to the Fifth Assessment Report of the Intergovernmental Panel on Climate Change [Field, C.B., V.R. Barros, D.J. Dokken, K.J. Mach, M.D. Mastrandrea, T.E. Bilir, M. Chatterjee, K.L. Ebi, Y.O. Estrada, R.C. Genova, B. Girma, E.S. Kissel, A.N. Levy, S. MacCracken, P.R. Mastrandrea, and L.L. White (eds.)]. Cambridge University Press, Cambridge, United Kingdom and New York, NY, USA, pp. 1-32

In **rural areas**[48], major future climate change impacts are expected on water availability and supply, food security and agricultural incomes, including shifts in the production areas of food and non-food crops. These impacts are likely to disproportionally affect the welfare of the poor in rural areas, such as female-headed households and those with limited access to land, modern agricultural inputs, infrastructure and education. Further adaptation to agriculture, water, forestry and biodiversity, and investment in infrastructure can enhance the long-term resilience of rural settings and allow adjustment to climate change impacts on rural communities.

The impacts of climate change are particularly pertinent to **infrastructure and buildings** in both urban and rural areas given their long lifespan, high initial costs and their essential role in the functioning of our societies and economies. Buildings and infrastructure can be vulnerable to climate change because of their design (low resistance to extreme weather events) or location (e.g. in flood-prone areas, landslides, avalanches). They can be damaged or rendered unfit for use by any changing climatic condition or extreme weather event: rising sea levels, extreme precipitation and floods, extreme low or high temperatures, heavy snowfalls, strong winds, etc.

Making infrastructure resilient to climate change is an important adaptation challenge. Even though such investments often come with higher up-front costs[49], their climate resilience makes them more profitable over the lifetime of the infrastructure. Climate change may also affect where infrastructure is built and how it is designed and operated. There will also be a need for additional infrastructure dedicated to climate protection such as improved sea defences and flood protection, interconnections in water supply, and retrofitting to improve resilience of existing infrastructure.

The severity of climate impacts on infrastructure will vary across Europe according to individual locations and their geophysical risk exposure, existing adaptive capacity and resilience, and the levels of regional economic development. Medium- and long-term climatic trends (e.g. increasing average temperatures, modified rainfall patterns) and an inherently rising frequency of extreme weather events impact differently from site to site. Climate impacts not only show regional and seasonal patterns (e.g. North/South, winter/summer) but also differ between territorial settings (e.g. urban/rural/coastal). Adapting infrastructure thus requires a complex, site-based analysis of the different trends and impact patterns.

Last but not least, climate change is strongly intertwined with other socio-economic changes. Demographic trends such as ageing populations and rapid urbanisation can exacerbate the climate risks. An ageing population increases the share of people vulnerable to heat waves. Urbanisation also reduces the area available for natural flood management or increases the number of homes and businesses actually in flood-prone areas. Competing demand for water from the public and sectors such as industry and agriculture leads to regional water scarcity. These socio-economic changes further increase the vulnerability of people, property and ecosystems under current climate conditions as long as no adaptation measures are taken.

Over the coming decades, existing and future buildings and infrastructure need huge investments, alongside those for climate-proofing, in order to keep them functioning and delivering services. This means incorporating climate change adaptation actions into building standards and retrofitting activities, such as ensuring that sewerage systems can cope with heavier precipitation, reviewing building design to better insulate against heat and adapting the energy and transport systems to cope with higher temperatures, low water availability or flooding. In this perspective, the CEB can support such adaptation infrastructure investments in close cooperation with the national, regional and local governments in its member countries.

- **Disaster risk management**

According to the IPCC (2012)[50], one of the most important consequences of climate change will be the increase in the frequency and/or magnitude of extreme events such as floods, droughts, windstorms and heat waves. Climate change may also trigger other hazards in which climate or weather conditions play a fundamental role, such as avalanches, landslides and forest fires.

[49] Such climate proofing can be expected to increase costs for infrastructure projects. According to the World Bank study (2009, *The Costs of Adapting to Climate Change for Infrastructure*), the net cost of adapting infrastructure to climate change is around 1-2% of the total cost of providing that infrastructure. Overall, the cost of adaptation appears small in relation to other factors that may influence the future costs of infrastructure.

[50] Source: IPCC (2012) Special Report on Managing the Risks of Extreme Events and Disasters to Advance Climate Change Adaptation (SREX)

Adaptation to climate change and disaster risk reduction share the same ultimate goal: to reduce vulnerability to hazardous events and increase resilience to the potential adverse impacts of climate extremes, even though risks cannot fully be eliminated. They provide a range of complementary approaches for managing the risks of climate extremes and disasters. Risk reduction and prevention in the short- and medium-term will primarily address socio-economic developments and climate variability in order to reduce the impacts of natural and technical hazards, while adaptation aims at developing longer-term planning to address climate change impacts. Preparedness refers to the readiness of human and natural systems to undergo gradual change through flexibility in practices and governance, and is a key common element of adaptation and disaster risk reduction actions.

Taking steps to reduce the risks to people and infrastructure from climate-related disasters is a worthwhile endeavour that will pay off over time. By investing in strategies and systems for lowering the risk from one hazard, a government is strengthening a society's capacity to prepare for and adapt to a range of other threats. Planning for the extremes will lessen physical damage and save lives, while softening the economic impact.

Disaster risk reduction and management in Europe has shifted from a response-oriented approach towards an Integrated Risk Management (IRM) approach that includes prevention, preparedness, response and recovery. From an environmental perspective, the focus is on prevention and preparation, given the main synergies with environmental protection and integration with ecosystem-based management. Measures addressing the reduction of risks have ensured improved safety for populations, infrastructure and the environment, for example, in the case of avalanches, where IRM has already reached an advanced level and incorporates technical measures developed and implemented during the last five decades.

Nevertheless, more effort is needed to implement such an integrated risk management approach throughout Europe that would address all hazards. It is important to enhance early warning systems, public awareness campaigns, implementation of evacuation procedures and decision support tools. There is a need to improve technical and biological measures (such as protection of forests) and spatial planning (including, e.g. the appropriate separation of establishments, infrastructure and residential settlements in industrial areas). Spatial planning can be a very powerful tool for effectively and efficiently reducing the potential impact of natural or technological hazards. Nevertheless, correcting or improving the 'legacy of the past' (i.e. deficient spatial planning in former times) still presents a challenge.

The CEB fully recognises the need for investments in measures aimed at providing lasting solutions for reducing vulnerability to natural disasters, reversing environmental degradation and promoting the sustainable development of countries and their adherence to national and international environmental standards. This goes hand in hand with the CEB's pro-active approach to tackling climate change related events first and foremost through adaptation rather than emergency reconstruction.

6.2. Key climate projections

When it comes to climate projections, data availability is often a significant constraint in performing different model simulations, adding to the uncertainty of estimates. Nevertheless, the IPCC report published in November 2014, citing over 12,000 scientific references, is considered a useful indicator of the scope of climate change[51], disclosing confidence levels attached to forecasts.

According to the IPCC, observed climate trends and future climate projections show regionally and seasonally varying changes in temperature and rainfall in Europe (high confidence).

- Since the 1980s, the largest temperature increases have been registered in Northern Europe, especially in winter, and in Southern Europe mostly in summer. During 2071-2100, compared to 1971-2000,

  (upper bound for the Northern region) (see Appendix 2). For comparison, the period 2002-2011, when the

  warmest decade on record.

51

century), leading, among others, to a large increase in coastal flood risk. Source: IPCC (2014)

- Precipitation changes show more spatial and temporal variability, with continued increases projected for Northern Europe (from a 4% to a 28% increase in annual total precipitation for 2071-2100 compared to 1971-2000), most notably during winter, and decreases in Southern Europe (from a 7% to a 24% decrease for the same period), most notably during summer, with less clear trends in Continental Europe (medium confidence) (see Appendix 2).

According to the IPCC, climate projections show a marked increase in temperature extremes towards increased numbers of hot days, tropical nights and heat waves (high confidence), droughts (medium confidence), heavy precipitation events (high confidence) (see Appendix 2) and extreme sea level events, with variations across Europe. Small or no changes in wind speed extremes (low confidence) are expected, except for increases in winter wind speed extremes over Central and Northern Europe (medium confidence).

- More frequent and intense heat waves are projected in particular for Southern Europe (high confidence). Two to almost five more months of warm spells[52] per year are expected in Southern Europe in 2071-2100 compared to 1971-2000 (see Appendix 2). In 2007, for example, Greece already witnessed the hottest summer on record since 1891. A mega-fire destroyed several protected conservation sites, caused 80 deaths, burned 575,500 hectares and burned down or rendered uninhabitable 1,710 buildings. Another example from the last decade is France in 2011, when the hottest and driest spring since 1880 led to reductions in snow cover for skiing and an 8% decline in wheat yield.

- The analysis of droughts is more complex given not only the lack of long-term observational data but also the different definitions of drought: meteorological, agricultural and hydrological. Southern Europe shows trends, although inconsistent, towards more intense and longer meteorological droughts. When considering the different definitions, droughts are projected to become longer and more intense in Central and Southern Europe and the Mediterranean as far as the UK (medium confidence). Even in regions where summer precipitation is expected to increase, soil moisture and hydrological droughts may become more severe due to increasing evapotranspiration.

- Increased extreme precipitation is expected in Northern Europe, during all seasons, and in Continental Europe, except for summer (high confidence). Projections are regionally and seasonally different for Southern Europe (see Appendix 2). Extreme sea level events will increase (high confidence), mainly due to the global mean sea level increase. Significant increases are projected in the eastern North Sea.

- Sea level rises together with increases in extreme rainfall are projected to further increase coastal and river flood risks.

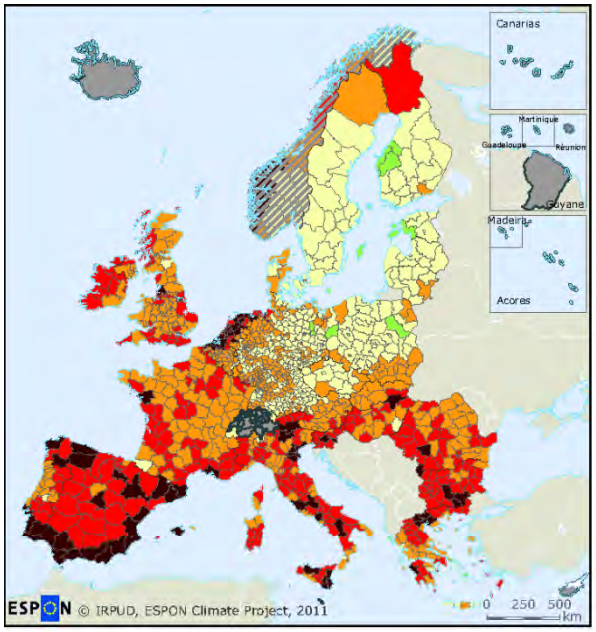
Atlantic, Northern and Southern Europe are the regions projected to be most affected by coastal flooding. Without adaptation, direct costs stemming from sea level rise in the EU-27 could reach 17 billion per year by 2100, with indirect costs also estimated for land-locked countries. Countries with high absolute damage costs include the Netherlands, Germany, France, Belgium, Denmark, Spain and Italy.

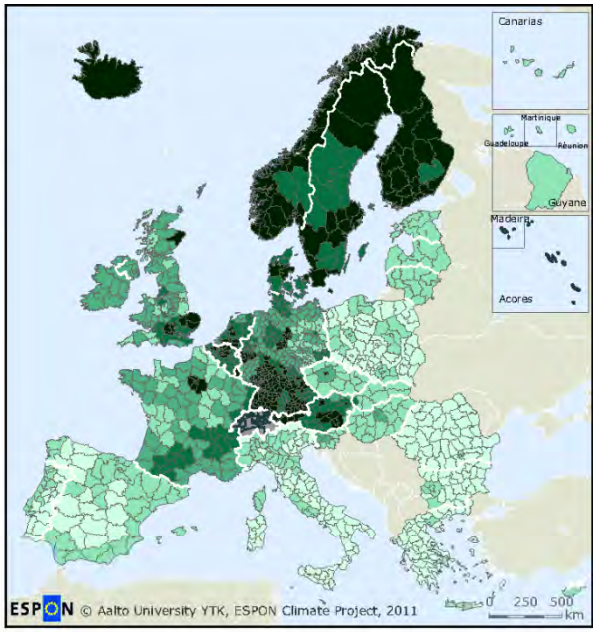
Central and Northern Europe are expected to be most affected by river and pluvial flooding. In the EU-15, river flooding could affect 250,000-400,000 additional people by the 2080s and more than double annual average damage. Recent major flood events in CEB countries include the 2013 floods in Germany and the spring 2014 floods in the Western Balkans.

According to the IPCC, the capacity to adapt in Europe is high compared to other world regions. There are however important differences across CEB regions and countries. Western European and Scandinavian regions have a higher adaptive capacity than most of the countries in South Eastern Europe and the Mediterranean region, with countries around the Mediterranean having a lower capacity than the countries around the Baltic Sea region (see Figure 6.2). This implies that the countries that are expected to be affected the most, as previously identified, are the least prepared for adaptation. Therefore, the classification of countries that are most vulnerable to climate change, which results from combining impacts and adaptive capacity, is quasi-identical to the map of impacts (see Figure 6.2).

[52] Warm spell duration index in days per year: annual count of days with at least 6 consecutive days when TX > 90th percentile. Let TX_{ij} be the daily maximum temperature on day *i* in period *j* and let $TX_{in}90$ be the calendar day 90_{th} percentile centred on a 5-day window for the base period 1971-2000. Then the number of days per period is summed where, in intervals of at least 6 consecutive days: $TX_{ij} > TX_{in}90$. Source: IPCC (2014)

Figure 6.2 Climate change: potential aggregate impact, adaptive capacity and vulnerability



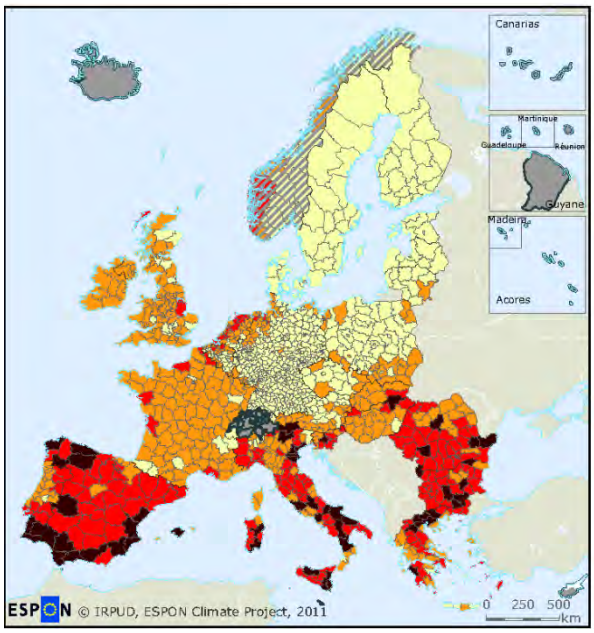


Aggregate potential impact of climate change

- Highest negative impact
- Medium negative impact
- Low negative impact
- No/marginal impact
- Low positive impact
- No data
- Reduced data

Overall capacity to adapt to climate change

- Highest capacity
- High capacity
- Medium capacity
- Low capacity
- Lowest capacity
- No data



Potential vulnerability to climate change

- Highest vulnerability
- Medium vulnerability
- Low vulnerability
- No/marginal vulnerability
- No data
- Reduced data

Note: Overall impacts derived from 26 impact indicators, overall capacity from 15 individual indicators and overall vulnerability from a combination of overall impacts and adaptive capacity.

Source: European Environment Agency (2012), Climate Change, Impacts and Vulnerability in Europe 2012, p.221

6.3. Sub-regional assessment of investment needs

Adaptation needs are mainly determined by (projected) climate impacts, socio-economic factors and, in some countries, particularly in CEB target countries, by the legacies of environmental mismanagement and under-investment in infrastructure and housing. The cross-cutting issue among all CEB countries is to improve the climate resilience of infrastructure while acting upon the associated co-benefits and reducing environmental inequalities. Existing infrastructure has been engineered and built for a past or current climate and may not be resilient to future climate. New infrastructure needs to be resilient to a climate that could be significantly different.

Our desk research indicates that while all CEB regions are likely to be affected by environmental pressures, the impact will differ regionally. This means that the distribution of investment needs will likely mirror the vulnerability map (see Figure 6.2):

- The Southern region is likely to be particularly vulnerable as multiple sectors are projected to be adversely affected (high confidence). Among the sectors most affected are water management given the increased risk of water restrictions; energy production, transmission and use given the increased cooling demand, peaking in summer; and the built environment due to longer and more intense heat waves and droughts.

- Urban areas are vulnerable given the high density of people and the damage caused by urban sprawl. The built and environmental infrastructure is also vulnerable to weather extremes, such as heat waves, increased rainfall and rising sea levels. Cities in the conversion regions of Southern, Central and Eastern Europe face particular risks, mostly due to the legacies of environmental mismanagement.

- In coastal regions, populations and infrastructure are likely to be adversely affected by sea level rise, particularly after mid-century. River and pluvial flooding are likely to affect Central and Northern Europe.

- Mountain areas concentrate vulnerabilities in infrastructure for transport and energy due to the high impact of climate change on natural hazards, water and snow resources and lack of migration possibilities for plant species.

Based on the analysis of urbanisation trends, the current state of infrastructure and vulnerabilities to climate change, the following allocation of demand for "green" and "grey" climate-resilient investment eligible for CEB financing is likely to be present across CEB regions in the medium- to longer-term (see Table 6.2).

- Constructing or modernising urban infrastructure across all CEB countries, but particularly in CEB target countries. Improved water, sanitation and waste generation and treatment, reliable and sufficient power supply, efficient transport networks and modern information and communication technologies (ICTs) are key to ensuring the sustainability, inclusion and economic growth of increasing peri-urban areas and to avoiding or addressing sprawls around cities and towns and along coastal zones.

- Retrofitting housing across all Europe, particularly in CEB target countries, in the context of weather extremes.

- Implementing cooling measures, especially in Southern Europe, in the context of increased overheating.

- Improving power generation capacity, especially in Southern Europe – given the increased summer energy demand, which will be under-utilised during the rest of the year, entailing higher supply costs.

- Implementing integrated water resource management, such as river basin management planning, flood defence plans and drought contingency plans, in Southern, Central and Atlantic regions, where climate change is likely to have significant impacts on future water availability.

- Putting into action disaster risk reduction measures and management in coastal regions as populations and infrastructure are likely to be adversely affected by sea level particularly after mid-century. A shift from clean-up towards mitigation of risks could lower the costs significantly.

- Preserving cultural heritage, including monuments, buildings, archaeological sites, iconic places and cultural landscapes, given the emerging concerns over its vulnerability to climate change and sea level rise. As cultural heritage is a non-renewable resource, there is a risk that some cultural landscapes may be lost forever.

Table 6.2 Potential distribution of investment needs across regions in CEB countries by 2100

	Alpine	Atlantic	Continental	Northern	Southern
Environmental protection: upgrading infrastructure					
Solid waste management			X		X
Water and wastewater management		X	X		X
Climate change mitigation: "greening" the built environment					
Energy efficiency in buildings					
- Energy efficiency in power supply and ICTs	X	X	X	X	X
- Cooling systems					X
- Retrofitting	X	X	X	X	X
Cleaner and renewable energy					
- Wind energy production		X		X	X
- Hydropower generation	X	X		X	
Sustainable public transport	X	X	X	X	
Climate change adaptation: strengthening resilience to (extreme) climate events					
Flooding					
- Coastal flooding		X	X	X	X
- River and pluvial flooding		X	X		
Mass movements and avalanches	X				
Cultural heritage and landscapes	X	X	X	X	X

Source: CEB table. The regional classification is based on the IPCC's sub-regional classification of Europe (see Table 6.1).
Note: The table summarises the geographical distribution of environmental investment needs, based on the assessment of vulnerabilities to environmental pressures across regions of CEB countries conducted in this Chapter.

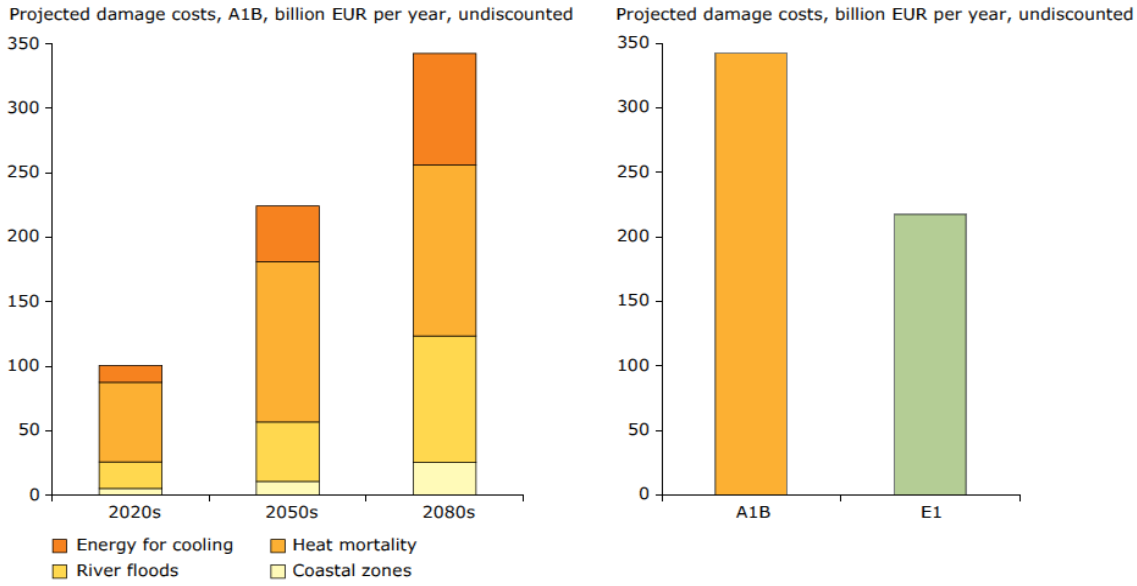
Such adaptation measures entail costs. The IPCC summarised the following estimates for some planned adaptation measures across Europe by 2100:

Table 6.3 IPCC selected published cost estimates for planned adaptation in European countries

Region	Cost estimate	Time period	Sectors/outcomes	Reference
Europe	€2.6–3.5 billion yr^{-1}	In 2100	Coastal adaptation costs	Hinkel et al. (2010)
	€1.7 billion yr^{-1}	By 2020s	Protection from river flood risk for EU27	Rojas et al. (2013)
	€3.4 billion yr^{-1}	By 2050s		
	€7.9 billion yr^{-1}	By 2080s		
Netherlands	€1.2–1.6 billion yr^{-1}	Up to 2050	Protection from coastal and river flooding	Delta Committee (2008)
	€0.9–1.5 billion yr^{-1}	2050–2100		
Sweden	Total of up to €2.4 billion	2010–2100	Investments in structural adaptation, information campaigns, and research	Swedish Commission on Climate and Vulnerability (2007)
Italy	€0.4–2 billion	By 2080s	Coastal protection	Bosello et al. (2012)
	Up to €44 billion	By 2080s	Hydrogeological protection	Medri et al. (2013)
Greece	€0.4–3.3 billion	Up to 2100	Coastal protection	Bank of Greece (2011)

Source: IPCC (2014), Climate Change 2014: Impacts, Adaptation, and Vulnerability, p. 1297
Note: The line with UK data has been deleted from the original version.

Figure 6.3 EEA projections of economic costs stemming from climate change and socio-economic development



Note: Left: damage costs for the A1B scenario for energy for cooling, heat-related mortality (weighted average of Value of a Statistical Life (VSL) and Value of a Life Year Lost (VOLY)), river floods and coastal zones. Time horizon: 2010–2040, 2040–2070 and 2070–2100.
Right: A1B and E1 scenarios, 2070–2100.

Source: Watkiss, 2011.

Source: European Environment Agency (2012), Climate Change, Impacts and Vulnerability in Europe 2012, p.232

While these amounts might seem substantial, the costs of inaction are much more significant. The EEA included in its report the costs of inaction in Europe, in terms of river flooding, heat waves and energy demand for cooling[53], estimated to range from 100 billion a year in 2020 to almost 350 billion a year in 2080 (see Figure 6.3, left graph). The EEA also shows the significant reduction in costs of inaction that can be achieved

probability high-consequence events (see Figure 6.3, right graph).

Adapting infrastructure to climate change impacts will not eliminate the risk of extreme weather adversely affecting infrastructure. Neither will it eliminate the need for contingency plans to be in place. In fact, measures that contain "soft" actions, such as in rural and urban development and disaster risk management, are necessary to anticipate the effects of climate change and extreme events and avoid maladaptation. In this sense, capacity building, stronger institutions and effective ties with the scientific community, are also key to developing and implementing coordinated, coherent and cost-effective adaptation actions across all CEB countries.

[53] The total cost of the impacts of global climate change on the European economy is not available. Source: EEA

In line with its social mandate, the CEB has a long history and broad experience of tackling environmental challenges both through its dedicated sectorial line of action and via the environmental screening and impact assessment carried out on all its projects.

The focus of the Bank's projects in this sector has gradually evolved over time. While "aid to victims of natural or ecological disasters" constitutes one of the CEB's two statutory priorities, the scope of these and other environmental projects financed by the Bank has widened to cover the following themes, shifting the operational focus from immediate emergency response to long-term preventive action:

- Environmental protection: upgrading infrastructure (solid waste, water and wastewater management).
- Climate change mitigation: "greening" the built environment (energy efficiency in buildings, cleaner and renewable energy, and sustainable public transport).
- Climate change adaptation: strengthening resilience to (extreme) climate events (urban and rural adaptation, disaster risk management, and action to address potential risks from climate-driven migration).

In the coming years, the CEB will continue to address environmental investment needs across Europe, while focusing on social impact. The CEB's approach to environmental management reflects the primary purpose of the Bank to create better living conditions across Europe. The Bank aims to provide both social and environmental benefits for the target beneficiaries (directly) and for wider population groups (indirectly).

The CEB will also strive to raise borrowers' awareness of environmental pressures and encourage spending towards specific environmentally beneficial investments such as energy efficiency, by offering attractive financing packages: blending loans with grants, providing technical assistance and offering loans with longer maturities which may be important in energy investments that tend to have long pay-back periods.

In addition, the CEB will also contribute to raising awareness and strengthening communication to enhance the understanding of co-benefits. Lack of awareness, patchy expertise and the legacies of under-investment and mismanagement remain important obstacles for integrating environmental considerations in projects in Eastern European countries. Building awareness and providing training on environmental concerns for all relevant stakeholders are key to ensuring that these issues are well understood and integrated throughout the project cycle. Climate change risk assessment and adaptation, for example, are areas where the needs for adequate information and training are particularly high. Through partnerships with other IFIs and EU bodies, the CEB can contribute to the dissemination of environmental knowledge among its stakeholders.

PART 3: CEB INVESTMENT FOR INCLUSIVE GROWTH: THE WAY FORWARD

Part 3 contributes to the growing debate on how best to meet the increased and diversified needs of vulnerable populations by presenting the CEB's approach to the concept of an inclusive society. To conclude, the study explores ways of enhancing the CEB's relevance and social impact for the populations in need, which are increasing in both number and profile.

Chapter 7 presents the CEB's holistic approach and added value to socially inclusive and environmentally sustainable development in Europe, with a particular focus on the integration and protection of vulnerable populations.

Chapter 8 shows how important it is to move beyond the concept of inclusion and implement investment projects in order to ensure that the lives of the many who are vulnerable or marginalised in society are further improved and protected.

Chapter 7: A holistic approach to complex and cross-cutting needs: the CEB's concept of inclusive growth

Despite their heterogeneity, CEB member countries face common and interrelated challenges in building inclusive societies and ensuring environmental sustainability. In the current context, the need to address the economic disequilibria and related long-lasting deterioration in the social situation in most of the Bank's member states remains a pressing challenge. In addition, the refugee crisis that erupted in the summer of 2015 has had profound consequences for the entire continent and brought to the forefront the broader issues of long-term integration of migrants and other vulnerable groups. In these challenging times for Europe and sixty years after the Bank's creation, its social mandate is more relevant than ever and the CEB has its unique contribution to make to the global development agenda with "no one left behind" (see Box 5). This chapter presents the CEB's holistic approach to socially inclusive and environmentally sustainable development in Europe, with a particular focus on the integration and protection of vulnerable populations.

7.1 Responding to increasingly complex and cross-cutting needs in all CEB countries

The nature of vulnerability has evolved over the past years and so must our understanding in capturing the diversity of risks and factors that generate vulnerability in its many forms. This changing face of vulnerability described in Part 2 has implications for providing support to vulnerable population groups. Building resilience and reducing the risk of future vulnerability are essential component factors to achieving – as both a process and an outcome – the successful and sustainable integration of vulnerable populations.

Building on the trends presented in Part 2, the scale of this challenge across CEB countries is significant: around 170 million people or 30% of the total population in CEB countries were at risk of poverty or social exclusion in 2014. The most affected are women, children, young people, the unemployed, single-parent households and those living alone, people with lower educational attainment, migrants and, in a majority of member states, those living in rural areas. Following the financial crisis, even broader population categories such as middle-income families and the working poor have become vulnerable to exclusion. In addition to financial hardship, many populations face vulnerability because of their age, ethnicity, religion or belief, illness, disability and sexual orientation. Last but not least, all CEB countries are exposed to different degrees of vulnerability to environmental pressures and hazards, but it is the poorer, marginalised and vulnerable population groups who are the most acutely affected.

In the face of such trends and challenges, the CEB is currently adapting its support for vulnerable populations and analysing their operational implications (see Chapter 8). Standing ready to respond to the requests of its member countries, the CEB will continue to provide financing for hard and soft investments in this field, in particular in line with its approach to inclusive growth as defined in the Development Plan 2017-2019 (see Box 5).

This approach reconciles economic growth with social inclusion, equality and quality of life for present and future generations, while focusing on the most vulnerable sections of the population. Better employment prospects, educational and health outcomes, living conditions as well as opportunities over time all matter for people's well-being. In this respect, equitable access to efficient socio-economic infrastructure and services is fundamental to achieving more inclusiveness. As long as the disadvantaged have access to or benefit from these facilities and services, they will feel less burdened by their differences in socio-economic status, thus alleviating their exclusion. Moreover, there is growing evidence[54] that greater social and economic inclusion is strongly associated with longer and stronger periods of sustained economic growth. In other words, growing unequally bears a cost for future generations.

In order to provide an effective response to the increasingly complex and cross-cutting needs of vulnerable populations, the CEB is now looking beyond traditional sectoral silos and adopting a more holistic approach. This implies recognition of the role and interrelated implications of a whole range of life domains such as employment, health and social care, education and housing. Therefore, initiatives to promote social inclusion need to take place on various fronts and at multiple levels. Comprehensive responses to the challenges of a specific population group are recognised to deliver greater inclusiveness. For instance, the CEB will be enhancing multi-sector programmes involving employment, education and housing measures and thus facilitating the integration of migrants. Depending on the local context and the targeted population, housing programmes are also increasingly considered as an instrument for fighting and preventing poverty. Such multi-sector programmes are expected to provide more focused support and thus contribute to greater inclusiveness.

[54] Source: OECD (2015), All on Board: Making Inclusive Growth Happen, OECD Publishing, Paris

Box 5: The CEB's contribution to the 2030 Agenda for Sustainable Development

The CEB's action falls naturally within the lines of the new United Nations post-2015 development Agenda. This new, ambitious and universal development framework aims to meet the dual challenge of eradicating poverty and achieving sustainable development by 2030. Structured around inclusive development, climate action and assistance to migrants and refugees, the CEB's new Development Plan 2017-2019 defines the Bank's participation in the global effort and its contribution to addressing the key long-term challenges reflected in the ambitious set of 17 Sustainable Development Goals (SDGs) contained in the Agenda. The Development Plan also underlines the specificity of the Bank's institutional label and position as the "social" development Bank in Europe and the social added value of the Bank's projects.

The most substantial development spending happens at national level in the form of public resources, while the largest potential is from private sector business, finance and investment. For the CEB, an Official Development Assistance (ODA) eligible organisation, this implies helping its most vulnerable countries by focusing the operations on financial leveraging – from grants to "blended" concessional finance (ODA) and co-financing – attracting and mobilising private capital, and providing technical expertise for developing local markets.

In so doing, the CEB will be taking a cross-cutting rather than purely sector-based approach given the multi-dimensional nature of the new Agenda. The Bank's new Development Plan recognises this cross-cutting character of challenges and therefore of investment needs at country level. To enable the CEB to better respond to such needs and to enhance the cross-sector nature of its action, the Bank will be using new financing instruments and, where needed, the blending of loans and grants on a larger scale than in the past.

Furthermore, cooperation with various organisations to achieve greater impact and more efficient resource mobilisation has already become and will remain the CEB's approach in dealing with important development needs such as resolving housing affordability under the Regional Housing Programme and responding to the refugee crisis in Europe under the recently created Migrant and Refugee Fund. In parallel, the CEB's partnership with European and other institutions will be strengthened, when and where deemed appropriate, and the CEB will be striving to raise more funding from donors to reinforce its operational capacity and the social impact of the projects it finances.

Sustainable Development Goals

- Goal 1. End poverty in all its forms everywhere
- Goal 2. End hunger, achieve food security and improved nutrition and promote sustainable agriculture
- Goal 3. Ensure healthy lives and promote well-being for all at all ages
- Goal 4. Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all
- Goal 5. Achieve gender equality and empower all women and girls
- Goal 6. Ensure availability and sustainable management of water and sanitation for all
- Goal 7. Ensure access to affordable, reliable, sustainable and modern energy for all
- Goal 8. Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all
- Goal 9. Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation
- Goal 10. Reduce inequality within and among countries
- Goal 11. Make cities and human settlements inclusive, safe, resilient and sustainable
- Goal 12. Ensure sustainable consumption and production patterns
- Goal 13. Take urgent action to combat climate change and its impacts
- Goal 14. Conserve and sustainably use the oceans, seas and marine resources for sustainable development
- Goal 15. Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss
- Goal 16. Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels
- Goal 17. Strengthen the means of implementation

Source: https://sustainabledevelopment.un.org/sdgs; SDGs in blue are the most relevant goals for the CEB's action.

7.2 Building more inclusive and sustainable development in Europe

In response to the challenges described above and in line with the Development Plan for the period 2017-2019, CEB lending is being restructured around three sectoral lines of action:

- Sustainable and inclusive growth
- Integration of refugees, displaced persons and migrants
- Climate action: developing mitigation and adaptation measures

These sectoral lines of action reflect both the CEB's specific social vocation and the development logic underpinning all its activity. Whilst being of a different nature, the three lines complement each other in tackling the core challenges facing Europe from a CEB perspective: i) the key and all-encompassing ultimate goal to ensure sustainable and inclusive growth; ii) the integration of refugees, displaced persons and migrants at a time when the continent is confronted with a refugee crisis of exceptional magnitude; and iii) the need to act against climate change and, consequently, to mainstream climate action in all the Bank's activities. Taken together and supplemented by a cross-sectoral approach in order to embrace large-scale challenges in all their complexity, these lines of action establish the added value of the CEB's contribution to socially and environmentally sustainable development in Europe.

Sustainable and inclusive growth
In alignment with these key long-term objectives, the first line of action reflects sustainable and inclusive growth with a socially-oriented approach as the overarching goal of the CEB as a social development bank. Consistent with long-term strategic investment initiatives by EU and non-EU member states, sustainable and inclusive growth also integrates environmental safeguards and energy efficiency considerations into the objectives of any given investment. Having consistently promoted this approach, the Bank is well-positioned to become one of the privileged partners in social development areas that increasingly require cooperation due to the sheer scale of the issues at stake.

Under the general heading of "sustainable and inclusive growth", the Bank has identified several fields of particular focus, namely public infrastructure with a social vocation, job creation and preservation, access to the labour market, housing and the integration of vulnerable groups. The tenets of sustainable and inclusive growth place particular emphasis on reducing inequality and poverty among such groups. Projects related to the above fields of particular focus share complementary objectives and are therefore better served when tackled through a global approach than on a stand-alone basis.

Integration of refugees, displaced persons and migrants
The second line of action is at the heart of the Bank's historic mission and specifically addresses one of the most disruptive crises for Europe since World War II, with the legitimacy conferred by the Bank's unique mandate and long-standing experience, and its recent initiative for immediate response via the MRF (see Box 2). Although a clear focus is placed on the issues of longer-term integration, the CEB will continue to provide emergency assistance whenever needed, as it has done since its inception.

Climate Action: developing adaptation and mitigation measures
The third line of action is of a more cross-cutting nature, since the underlying objective is to mainstream climate action in all the Bank's activities and projects. Within the scope of its financing, the CEB addresses environmental investment needs across Europe, while maintaining its focus on social dimensions. In so doing, the CEB is playing its part in the global effort to fight against climate change and to foster the environmental transition to low-carbon economies.

In this respect, the Environmental and Social Safeguards Policy (approved in September 2010 and updated in November 2016) develops and formalises the Bank's commitment to promoting sustainable development and combating climate change. The policy seeks to ensure that all CEB projects are designed and implemented in such a way as to optimise social and environmental benefits, minimise negative environmental impacts and comply with appropriate social and environmental standards. It also presents the Bank's position on specific issues such as climate change, the protection of nature and biodiversity, and its approach to sectors involving particular environmental and social risks. As a social development Bank, the CEB also attaches great importance to all issues related to Corporate Social Responsibility (CSR).

Chapter 8: Making social investment happen

More than twenty years ago in Copenhagen at the 1995 World Summit for Social Development, it was affirmed that social integration was one of the key goals of social development and that the aim of social integration was to create an inclusive society, "a society for all, in which every individual, each with rights and responsibilities, has an active role to play. Such an inclusive society must be based on respect for all human rights and fundamental freedoms, cultural and religious diversity, social justice and the special needs of vulnerable and disadvantaged groups, democratic participation and the rule of law" [55].

Despite the steady progress made in achieving socio-economic development across CEB countries in the past twenty years, vulnerability and exclusion have not only persisted but have been expanding, both within and between countries. As shown in the second part of this study, many societies are facing widening disparities and the marginalisation of certain groups and communities. By threatening the progress achieved so far and further aggravating the many faces of vulnerability, the global financial and economic crisis, especially, has led governments, institutions and international organisations such as the CEB to strengthen their contribution towards social inclusion. As a multi-dimensional process to create conditions that enable full and active participation in all aspects of life, social inclusion is a concept with universal appeal[56]. The core issue for the CEB as a project financier is how to operationalise the concept of inclusion through social investment in a relevant and effective manner.

Building on the Bank's experience of six decades in this field (described in Part 1), this concluding chapter shows how important it is to move beyond the concept of inclusion and implement investment projects in order to ensure that the lives of the many who are vulnerable or marginalised in society are further improved and protected.

- **Mainstreaming social inclusion in CEB projects**

The Bank's mission is to contribute to strengthening social inclusion in Europe through financing for social investment projects, with a particular focus on vulnerable populations. The CEB's *raison d'être* has not changed much since its creation sixty years ago. Yet, both the context and the scope for CEB action have changed, and in these challenging times for Europe today, the Bank's core mandate appears more relevant than ever, thereby making the CEB a unique player in the social field in Europe. From strategic to operational levels, the Bank's activity is underpinned by new sectoral lines of action (presented in Chapter 7) reflecting the overarching goal of socially inclusive and environmentally sustainable development in Europe.

While mirroring the core long-term challenges facing Europe today, the three sectoral lines of action also take account of the current and evolving context, making it possible to improve and adapt the CEB's instruments to ensure the Bank can provide an effective response to borrowers and thus make a valuable contribution to social development. The financing instruments and the methodologies related to screening, monitoring and assistance to project preparation and implementation are designed to reflect the Bank's trademark and socially-oriented specificities.

- **Enhancing the Bank's means of action**

To enable the CEB to better respond to increased and diversified investment needs in its member countries and to enhance the cross-sector nature of its action, the Bank will be using new financing instruments and, where needed, the blending of loans and grants on a larger scale than in the past.

For instance, the CEB will be introducing the Cross-sectoral Loan Programme (CSL) as a new type of instrument. The CSL will cover eligible costs related to the development of social infrastructure in several, overlapping sectors of action linked through a set of related aims and objectives as a cross-sector element defined during appraisal. This element will define the project's social added value; it will therefore be quantifiable and measurable in its various vectors (e.g. number of beneficiaries from a vulnerable group such as migrants, refugees, disabled, etc., energy savings, etc.). Priority will be given to disadvantaged areas, national or local priority programmes in social sectors as well as to communities hosting refugees and migrants.

[55] Source: UN (1995), Programme of Action of the World Summit for Social Development, Chapter 4: Social Integration
[56] Source: UN-DESA (2009), Creating an Inclusive Society: Practical Strategies to Promote Social Integration

- **Strengthening social screening at project level**

One of the CEB's most important specificities and comparative advantages is its capacity to screen upfront the social aspects of the projects it finances and therefore to identify the social added value and ways to increase it during appraisal. Under the Development Plan 2017-2019, screening will be fine-tuned, revised and adapted according to the type of project and lending instrument.

Furthermore, the Bank will be introducing Social Safeguards screening during appraisal (e.g. for land acquisition, expropriation and economic displacement) to ensure that potential adverse social impacts are addressed in a formal and timely manner. Its revised project appraisal process will thus include a step that screens for the likelihood of such social risks, which may trigger application of the safeguard requirements to undertake further risk analysis and prepare mitigation measures when appropriate.

By combining strengthened project screening (related to the project's expected direct social added value) with dedicated Social Safeguards screening (related to the potential negative consequences that the project might have during implementation), the CEB will be creating a strong basis for evaluation covering both appraisal and implementation, which are the main phases of the Bank's direct responsibility in the project cycle.

- **Consolidating cooperation and partnerships**

The essential component of the CEB's approach in dealing with important development needs has been and will remain cooperation with various organisations to achieve greater impact and more efficient resource mobilisation. Since 2014, the CEB has been added to the OECD list of ODA-eligible international organisations, which testifies to recognition of the Bank's role in the field of social development.

Given their numerous and deep geographic and sectoral synergies, the EU and its institutions are partners of choice for the CEB. Over the coming years, the CEB will be striving towards strengthened cooperation with these European institutions and within EU funding mechanisms and facilities. The CEB also intends to intensify its relations, in terms of financing and expertise, with other international financial institutions and UN agencies in areas of common interest. In parallel, the CEB will be striving to raise more donor funding and develop its fiduciary activities. At the same time, the CEB will also be seeking to enhance its visibility and to promote its specific know-how among social development stakeholders in Europe.

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A society where most members, if not all, feel they are playing their part and have access to their basic needs regardless of age, ethnicity, political status, economic resources or social standing, is a society that will foster principles of inclusiveness. For this to happen, the complex and long-term process of social inclusion needs to take place simultaneously at multiple levels: from the individual, community and local levels to the regional, national and global levels, from top policy level down to hands-on level. Social inclusion is also a multi-dimensional process – comprising economic, social, environmental, legal, political, spatial, cultural aspects and more – which needs to be mainstreamed into all life domains, with some dimensions being more important than others, depending on the specific context and needs.

By financing social investment projects, the CEB makes its unique contribution to responding to the increasingly complex and cross-cutting needs and challenges of vulnerable segments of the population, thus strengthening social inclusion in European societies. With the support of its member states and alongside its working partners, the CEB is truly committed to fostering the inclusion and protection of vulnerable populations in full compliance with its unique social mandate.

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	Projection of the total population (in million) Reference date (as of 1 July)							Decomposition of population by age groups (% of total population) Reference date (as of 1 July)							
								0-14		15-64		65+		80+	
	2010	2020	2030	2040	2050	2060	2010-2060	2010	2060	2010	2060	2010	2060	2010	2060
Albania	3.15	3.24	3.31	3.25	3.09	2.93	-0.22	23%	14%	67%	56%	10%	30%	2%	9%
Belgium	10.94	11.36	11.66	11.89	12.06	12.16	1.21	17%	17%	66%	57%	17%	26%	5%	10%
Bosnia and Herzegovina	3.85	3.79	3.70	3.54	3.33	3.13	-0.72	17%	13%	68%	56%	15%	31%	2%	10%
Bulgaria	7.39	6.83	6.21	5.61	5.08	4.57	-2.82	13%	15%	68%	55%	18%	30%	4%	10%
Croatia	4.34	4.18	4.02	3.82	3.61	3.39	-0.94	15%	14%	67%	56%	18%	30%	4%	11%
Cyprus	1.10	1.22	1.31	1.35	1.36	1.34	0.23	18%	14%	71%	56%	12%	30%	3%	10%
Czech Republic	10.55	10.92	11.05	11.10	11.22	11.22	0.67	14%	16%	70%	57%	15%	28%	4%	10%
Denmark	5.55	5.78	6.01	6.20	6.36	6.53	0.98	18%	17%	65%	63%	17%	20%	4%	5%
Estonia	1.30	1.26	1.21	1.16	1.12	1.08	-0.22	15%	16%	67%	57%	17%	27%	4%	9%
Finland	5.37	5.54	5.65	5.67	5.69	5.73	0.37	17%	16%	66%	57%	17%	27%	5%	10%
France	63.23	66.57	69.29	71.52	73.21	74.64	11.40	18%	17%	65%	57%	17%	26%	5%	11%
Georgia	4.39	4.20	3.95	3.74	3.56	3.42	-0.97	17%	16%	68%	57%	14%	27%	3%	8%
Germany	83.02	81.88	79.55	76.35	72.57	68.42	-14.60	13%	13%	66%	54%	21%	33%	5%	14%
Greece	11.11	11.08	10.98	10.86	10.67	10.33	-0.78	15%	14%	66%	55%	19%	31%	5%	14%
Hungary	10.01	9.80	9.53	9.21	8.95	8.68	-1.34	15%	15%	69%	58%	17%	27%	4%	9%
Iceland	0.32	0.35	0.38	0.40	0.42	0.42	0.10	21%	16%	67%	58%	12%	26%	3%	10%
Ireland	4.47	4.96	5.35	5.69	5.99	6.19	1.73	21%	17%	67%	58%	11%	25%	3%	10%
Italy	60.51	61.39	61.21	60.81	60.01	58.50	-2.01	14%	14%	66%	54%	20%	32%	6%	16%
Latvia	2.09	1.97	1.86	1.75	1.67	1.61	-0.48	14%	17%	67%	58%	18%	25%	4%	7%
Lithuania	3.07	2.94	2.82	2.68	2.56	2.44	-0.63	15%	17%	69%	57%	16%	26%	3%	7%
Luxembourg	0.51	0.58	0.64	0.68	0.71	0.72	0.21	18%	16%	68%	59%	14%	25%	4%	10%
Malta	0.42	0.44	0.44	0.43	0.42	0.40	-0.02	16%	13%	70%	55%	14%	33%	2%	12%
Moldova	3.57	3.32	3.07	2.77	2.48	2.26	-1.31	17%	14%	72%	59%	11%	27%	2%	5%
Montenegro	0.62	0.62	0.61	0.59	0.56	0.53	-0.09	19%	15%	68%	60%	12%	25%	2%	7%
Netherlands	16.62	17.03	17.27	17.22	16.92	16.60	-0.01	18%	16%	67%	57%	15%	27%	4%	11%
Norway	4.89	5.41	5.84	6.21	6.56	6.87	1.97	19%	18%	66%	59%	15%	24%	5%	9%
Poland	38.20	38.16	37.45	35.84	34.08	32.31	-5.89	15%	15%	71%	54%	14%	32%	3%	11%
Portugal	10.59	10.58	10.43	10.21	9.84	9.33	-1.26	15%	12%	67%	53%	18%	35%	5%	16%
Romania	21.86	21.23	20.23	19.06	17.81	16.43	-5.43	15%	14%	70%	55%	15%	31%	3%	10%
Serbia	9.65	9.17	8.58	7.86	7.07	6.30	-3.35	17%	13%	69%	55%	14%	32%	3%	10%
Slovak Republic	5.43	5.47	5.40	5.20	4.99	4.74	-0.69	15%	14%	73%	55%	12%	30%	3%	10%
Slovenia	2.05	2.09	2.09	2.06	2.02	1.97	-0.09	14%	14%	69%	55%	17%	30%	4%	12%
Spain	46.18	47.79	48.24	48.50	48.22	46.76	0.58	15%	13%	68%	53%	17%	34%	5%	16%
Sweden	9.38	10.03	10.69	11.27	11.93	12.59	3.21	17%	18%	65%	58%	18%	24%	5%	9%
Switzerland	7.83	8.65	9.48	10.23	10.98	11.65	3.82	15%	16%	68%	58%	17%	26%	5%	10%
"the former Yugoslav Republic of Macedonia"	2.10	2.11	2.07	1.99	1.88	1.76	-0.34	17%	13%	71%	56%	12%	31%	2%	9%
Turkey	72.14	80.31	86.83	91.78	94.61	95.33	23.19	27%	15%	66%	60%	7%	25%	1%	8%
TOTAL CEB	**547.81**	**562.25**	**568.37**	**568.51**	**563.61**	**553.27**	**5.46**	**17%**	**15%**	**67%**	**56%**	**16%**	**29%**	**4%**	**11%**
EU-28	505.77	515.40	518.19	516.35	511.56	502.81	-2.96	16%	15%	67%	56%	18%	29%	5%	12%
CEB Target countries	**207.29**	**213.27**	**215.71**	**214.79**	**211.47**	**205.83**	**-1.46**	**19%**	**15%**	**69%**	**58%**	**12%**	**28%**	**3%**	**9%**
CEB Target countries without Turkey	135.16	132.96	128.88	123.01	116.86	110.50	-24.65	15%	15%	70%	55%	15%	30%	3%	10%
CEB Non-target countries	**340.51**	**348.98**	**352.66**	**353.72**	**352.14**	**347.43**	**6.92**	**15%**	**15%**	**66%**	**55%**	**18%**	**30%**	**5%**	**13%**
CEB Non-target without Germany	257.49	267.10	273.11	277.37	279.57	279.02	21.52	16%	15%	66%	56%	18%	29%	5%	13%
WORLD	**6 916.18**	**7 716.75**	**8 424.94**	**9 038.69**	**9 550.94**	**9 957.40**	**3 041.22**	**27%**	**20%**	**66%**	**62%**	**8%**	**18%**	**2%**	**5%**

Source: CEB (2014), Ageing Populations in Europe: Challenges and Opportunities for the CEB, Statistical Annex, Table 1

APPENDIX 2: Climate trends and projections across Europe

Projected changes in selected climate parameters and indices for 2071-2100 with respect to 1971-2000 (A1B scenario*)

A1B	Climate parameter	Measure	Southern	Atlantic	Continental	Alpine	Northern
2071–2100 minus 1971–2000	Mean annual temperature in K**	Median	3.6	2.5	3.3	3.4	3.8
		Lower bound	2.3	1.9	2.1	2.8	3.2
		Likely in the range	3.3 to 4.1	2.1 to 3.5	2.8 to 4.5	3.1 to 4.5	3.5 to 5.0
		Upper bound	5.5	4.7	5.7	5.4	5.8
	Frost days per year*	Median	–24	–24	–44	–50	–54
		Lower bound	–34	–39	–56	–72	–71
		Likely in the range	–31 to –12	–34 to –15	–53 to –27	–57 to –38	–55 to –40
		Upper bound	–12	–13	–26	–37	–38
	Summer days per year*	Median	48	21	32	14	7
		Lower bound	33	9	21	4	3
		Likely in the range	33 to 51	16 to 32	22 to 41	11 to 20	5 to 14
		Upper bound	51	34	43	21	27
	Tropical nights per year*	Median	47	8	21	3	4
		Lower bound	18	2	14	1	1
		Likely in the range	35 to 52	6 to 17	16 to 35	2 to 9	1 to 7
		Upper bound	60	32	43	11	10
	Growing season length in days per growing season**	Median	36	41	52	47	41
		Lower bound	14	23	20	27	25
		Likely in the range	27 to 41	33 to 51	33 to 62	34 to 56	27 to 46
		Upper bound	51	55	81	75	61
	Warm spell duration index in days per year*	Median	91	44	42	57	67
		Lower bound	67	29	26	46	37
		Likely in the range	85 to 112	35 to 72	37 to 69	51 to 84	47 to 96
		Upper bound	144	125	94	126	119
	Cold spell duration index in days per year*	Median	–5	–5	–6	–5	–6
		Lower bound	–8	–9	–9	–8	–9
		Likely in the range	–5 to –4	–6 to –4	–6 to –5	–5 to –4	–8 to –5
		Upper bound	–3	–4	–4	–4	–5
	Annual total precipitation in %**	Median	–15	2	3	6	16
		Lower bound	–24	–11	–9	0	4
		Likely in the range	–17 to –11	–3 to 4	–1 to 5	4 to 9	12 to 20
		Upper bound	–7	7	10	10	28
	Annual total precipitation where RR > 99p of 1971/2000 in %**	Median	15	40	30	33	42
		Lower bound	5	16	9	21	19
		Likely in the range	11 to 20	26 to 60	23 to 44	24 to 38	28 to 52
		Upper bound	30	72	54	70	74

| Projected changes of selected climate parameters and indices for 2071–2100 with respect to 1971–2000 spatially averaged for European sub-regions for the A1B scenario (updated from Jacob et al., 2013). Numbers are based on 9 (indicated with *) and 20 (indicated with **) regional model simulations. The different numbers of simulations used is due to the limited data availability. The "*likely* range" defines the range of 66% of all projected changes around the ensemble median.

* In 2000, the IPCC published a set of emissions scenarios for use in climate change studies (Special Report on Emissions Scenarios – SREs). The SRES scenarios were constructed to explore future developments in the global environment with special reference to the production of GHGs and aerosol precursor emissions. The A1 storyline and scenario family describes a future world of very rapid economic growth, global population that peaks in mid-century and declines thereafter, and the rapid introduction of new and more efficient technologies. Major underlying themes are convergence among regions, capacity building and increased cultural and social interactions, with a substantial reduction in regional differences in per capita income. The A1 scenario family develops into three groups that describe alternative directions of technological change in the energy system. The three A1 groups are distinguished by their technological emphasis: fossil intensive (A1FI), non-fossil energy sources (A1T), or a balance across all sources (A1B) (where balanced is defined as not relying too heavily on one particular energy source, on the assumption that similar improvement rates apply to all energy supply and end-use technologies). Source: IPCC Website

Source: IPCC (2014), Climate Change 2014: Impacts, Adaptation, and Vulnerability, Europe: Supplementary Material, p. SM23-3

Projected changes in selected climate parameters and indices for 2071-2100 with respect to 1971-2000 (RCP4.5 and RCP8.5[57] scenarios)

	Climate parameter	Measure	Southern		Atlantic		Continental		Alpine		Northern	
			RCP4.5	RCP8.5	RCP4.5	RCP8.5	RCP4.5	RCP8.5	RCP4.5	RCP8.5	RCP4.5	RCP8.5
2071–2100 minus 1971–2000	Mean annual temperature in K	Median	2.0	4.2	1.7	3.2	2.1	4.1	2.4	4.6	2.9	5.2
		Lower bound	1.9	3.8	1.3	2.5	1.6	3.6	1.8	3.8	2.0	4.1
		Likely in the range	1.9 to 2.7	3.9 to 5.4	1.4 to 2.1	2.7 to 3.6	1.6 to 3.2	3.7 to 5.2	1.9 to 3.4	3.9 to 6.0	2.0 to 4.2	4.1 to 6.2
		Upper bound	3.2	5.7	2.9	4.2	3.2	5.3	3.6	6.3	4.3	6.5
	Frost days per year	Median	–22	–43	–28	–40	–34	–62	–40	–70	–40	–68
		Lower bound	–31	–51	–33	–60	–41	–73	–47	–93	–52	–93
		Likely in the range	–29 to –11	–51 to –23	–30 to –15	–50 to –26	–40 to –18	–65 to –50	–41 to –26	–85 to –57	–43 to –26	–83 to –60
		Upper bound	–10	–22	–12	–21	–16	–46	–25	–55	–24	–58
	Summer days per year	Median	27	54	11	24	20	37	8	19	4	13
		Lower bound	21	43	6	17	11	27	3	10	2	5
		Likely in the range	25 to 33	46 to 60	6 to 14	22 to 28	13 to 24	30 to 46	4 to 14	12 to 24	2 to 16	6 to 22
		Upper bound	37	67	33	38	28	49	18	25	23	28
	Tropical nights per year	Median	20	45	3	7	9	22	1	4	1	1
		Lower bound	7	23	0	3	2	11	0	1	0	0
		Likely in the range	11 to 24	25 to 57	1 to 5	3 to 12	9 to 27	17 to 31	1 to 3	2 to 5	0 to 5	1 to 3
		Upper bound	41	58	18	17	30	37	8	6	7	13
	Growing season length in days per growing season	Median	27	49	39	58	26	58	31	61	23	55
		Lower bound	16	34	24	41	17	52	23	52	17	37
		Likely in the range	17 to 33	38 to 53	27 to 43	47 to 68	20 to 38	53 to 71	23 to 39	52 to 83	19 to 33	41 to 60
		Upper bound	38	58	45	75	41	75	45	95	42	78
	Warm spell duration index in days per year	Median	37	123	21	67	24	76	36	100	37	85
		Lower bound	30	95	18	46	18	54	27	74	22	68
		Likely in the range	34 to 73	100 to 183	19 to 34	47 to 92	18 to 45	55 to 97	28 to 58	75 to 140	23 to 44	70 to 116
		Upper bound	84	191	56	106	53	107	70	165	65	132
	Cold spell duration index in days per year	Median	–4	–5	–4	–5	–5	–6	–5	–5	–6	–6
		Lower bound	–6	–5	–6	–6	–7	–8	–7	–6	–7	–7
		Likely in the range	–4 to –3	–5 to –4	–5 to –4	–6 to –4	–6 to –4	–7 to –6	–6 to –4	–6 to –4	–7 to –6	–7 to –5
		Upper bound	–3	–4	–2	–3	–4	–5	–3	–4	–5	–5
	Annual total precipitation in %	Median	–3	–11	1	4	9	10	4	11	10	22
		Lower bound	–10	–23	–2	–2	0	0	3	4	7	17
		Likely in the range	–9 to 1	–19 to –3	–1 to 6	1 to 7	1 to 12	4 to 18	3 to 7	6 to 13	8 to 17	18 to 32
		Upper bound	2	–1	8	9	13	24	9	15	21	33
	Annual total precipitation where RR > 99p of 1971/2000 in %	Median	14	17	21	43	24	39	24	49	22	51
		Lower bound	7	9	10	29	10	23	11	23	16	45
		Likely in the range	8 to 24	11 to 26	13 to 44	32 to 68	15 to 29	27 to 47	11 to 39	23 to 57	17 to 40	45 to 76
		Upper bound	38	27	46	81	44	63	39	68	47	77

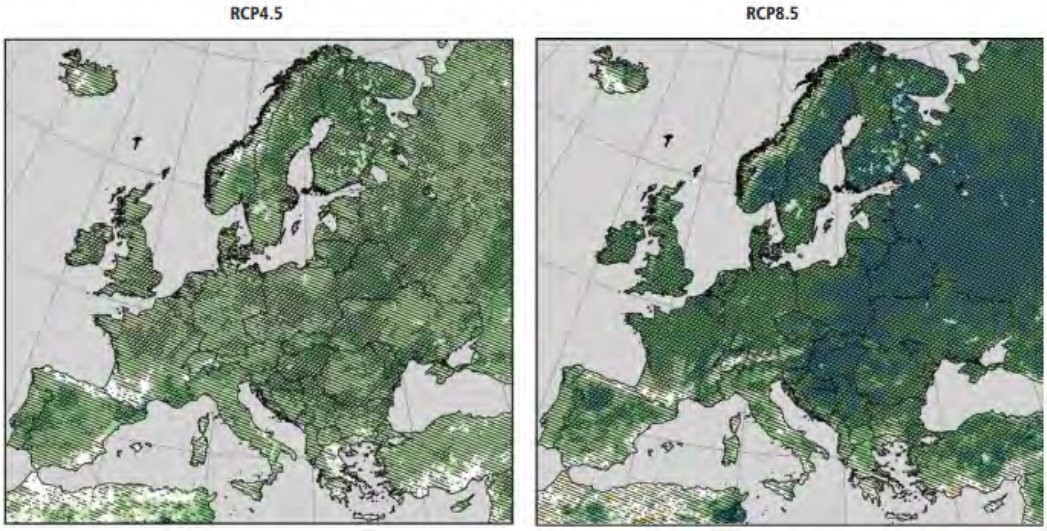
| Projected changes of selected climate parameters and indices for 2071–2100 with respect to 1971–2000 spatially averaged for European sub-regions based on the RCP4.5 and RCP8.5 scenarios (updated from Jacob et al., 2013). Numbers are based on 9 (RCP8.5) and 8 (RCP4.5) regional model simulations. The "*likely* range" defines the range of 66% of all projected changes around the ensemble median.

Source: IPCC (2014), Climate Change 2014: Impacts, Adaptation, and Vulnerability, Europe: Supplementary Material, p. SM23-4

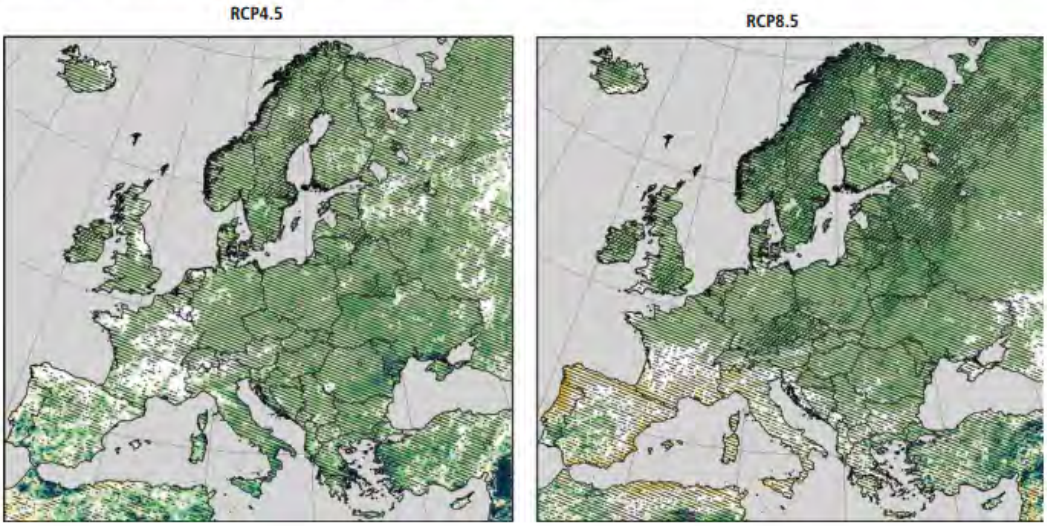
[57] Representative Concentration Pathways (RCPs) are defined by their total radiative forcing (cumulative measure of human emissions of GHGs from all sources expressed in Watts per square meter). RCP4.5 is a stabilization-without-overshoot pathway to 4.5 W/m2 at stabilization after 2100. RCP8.5 is a rising radiative forcing pathway leading to 8.5 W/m2 in 2100. Source: IPCC Website

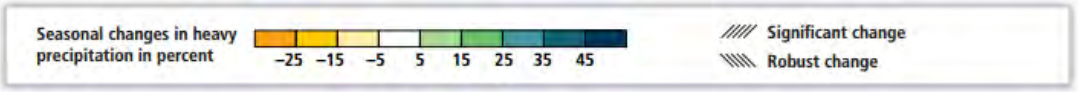
Heavy precipitation, heat waves and dry spells, 2071-2100 compared to 1971-2000

(a) DJF seasonal changes in heavy precipitation (%), 2071–2100 compared to 1971–2000

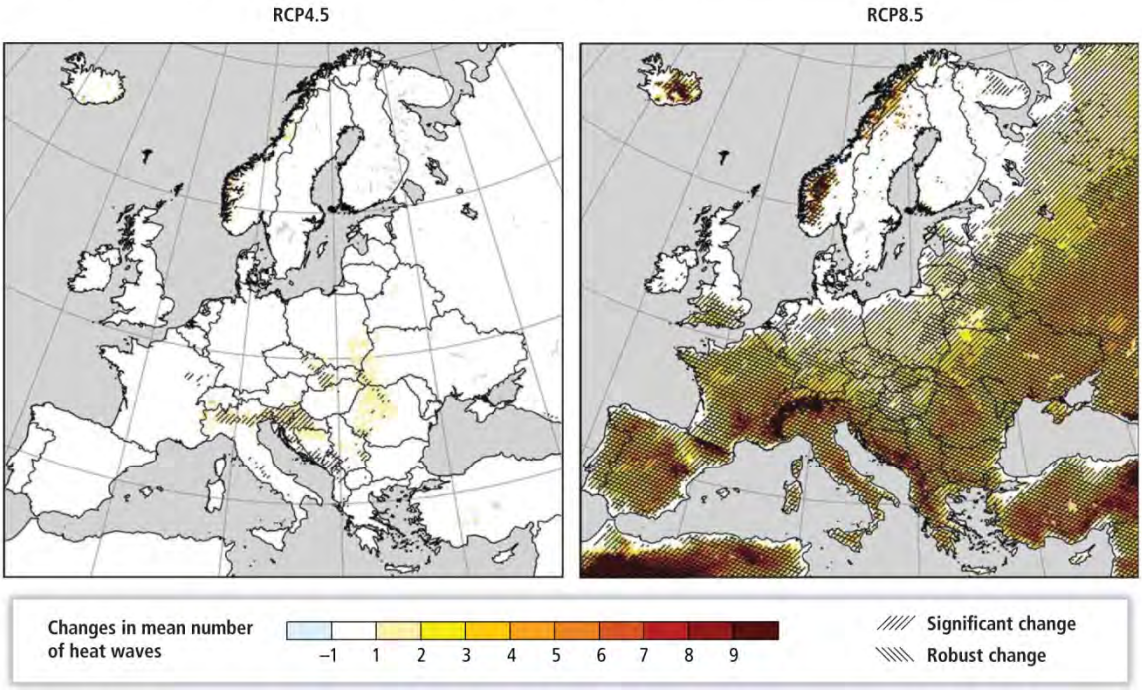


(b) JJA seasonal changes in heavy precipitation (%), 2071–2100 compared to 1971–2000

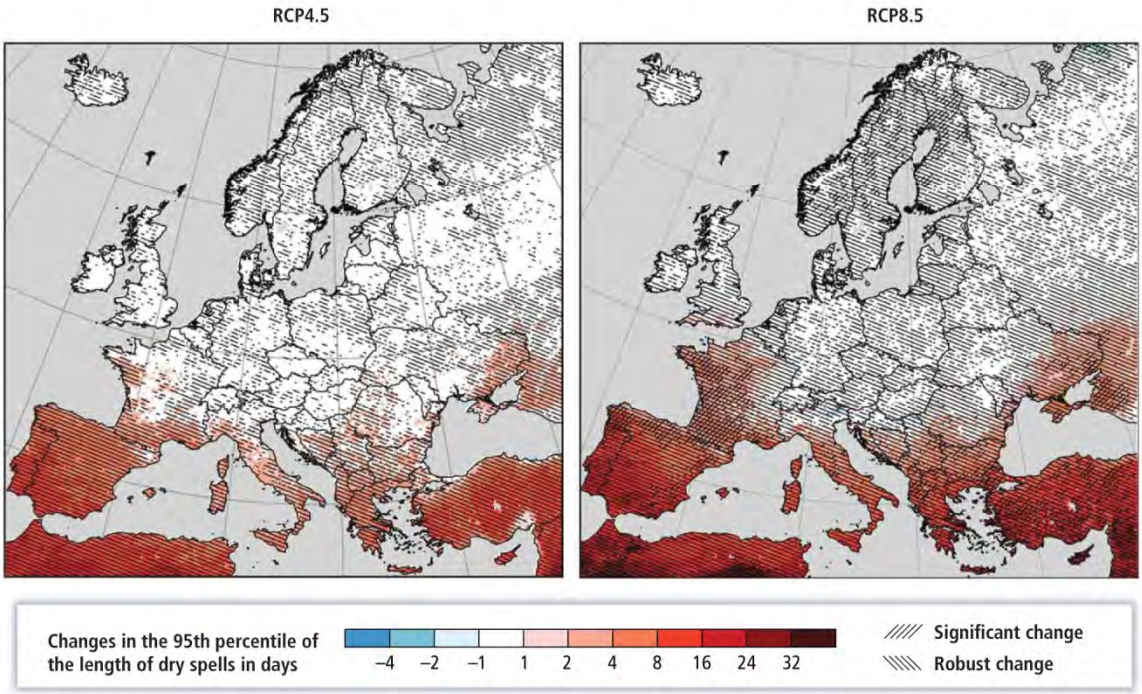




(c) Changes in mean number of heat waves for MJJAS, 2071–2100 compared to 1971–2000



(d) Changes in the 95th percentile of the length of dry spells (days) 2071–2100 compared to 1971–2000



(a) and (b): Projected seasonal changes in heavy precipitation defined as the 95th percentile of daily precipitation (only days with precipitation >1 mm day^{-1} are considered) for the period 2071–2100 compared to 1971–2000 (in %) in the months December to February (DJF) and June to August (JJA). (c) Projected changes in the mean number of heat waves occurring in the months May to September for the period 2071–2100 compared to 1971–2000 (number per 30 years). Heat waves are defined as periods of more than 5 consecutive days with daily maximum temperature exceeding the mean maximum temperature of the May to September season of the control period (1971–2000) by at least 5°C. (d) Projected changes in the 95th percentile of the length of dry spells for the period 2071–2100 compared to 1971–2000 (in days). Dry spells are defined as periods of at least 5 consecutive days with daily precipitation below 1 mm. Hatched areas indicate regions with robust (at least 66% of models agree in the sign of change) and/or statistically significant change (significant on a 95% confidence level using Mann–Whitney U test). For the eastern parts of Black Sea, eastern Anatolia, and southeast Anatolia (Turkey), no regional climate model projections are available. Changes represent the mean over 8 (RCP4.5, left side) and 9 (RCP8.5, right side) regional model simulations compiled within the Coordinated Downscaling Experiment – European Domain (EURO-CORDEX) initiative. Adapted from Jacob et al., 2013.

Source: IPCC (2014), Climate Change 2014: Impacts, Adaptation, and Vulnerability, pp. 1277 – 1278

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