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info

CEB
COUNCIL OF EUROPE DEVELOPMENT BANK
BANQUE DE DEVELOPPEMENT DU CONSEIL DE L'EUROPE

THE QUARTERLY MAGAZINE OF THE COUNCIL OF EUROPE DEVELOPMENT BANK



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Saying 'yes' to small business

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Dear reader,



This issue of *Info* focuses on micro, small and medium-sized enterprises (MSMEs), which play a major role in driving the economy forward by creating jobs, fostering an inclusive labour market and ultimately strengthening social cohesion. In recognition of this crucial role, the United Nations General Assembly recently designated 27 June as "International MSMEs Day".

MSMEs are widespread in Europe, representing for example 99% of all enterprises in the European Union. Nevertheless, many of them regularly report that impeded access to funding is one of the main factors hindering their growth.

This is why providing support to MSMEs is one of the CEB's priority areas of operation, with over €6.5 billion approved for MSME financing in the past decade alone in 27 countries.

Microfinance, in particular, is instrumental in significantly improving the employment prospects of self-starters. The CEB has been working for years with microloan institutions, which provide self-employed entrepreneurs, including people from socially disadvantaged population groups, with access to financing for their investments. I am pleased that our Development Plan for the period 2017-2019 foresees the further strengthening of our activity in this area.

In this issue you can also read about our first social inclusion bond, issued in April. The social or sustainability bond market represents a growing segment of the financial markets responding to the demand of socially conscious investors.

I hope that you will enjoy reading this new issue of the CEB's quarterly magazine.



Rolf Wenzel
Governor, CEB



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About the CEB...

Set up in 1956, the CEB (Council of Europe Development Bank) has 41 member states.
As a major instrument of the policy of solidarity in Europe, the Bank finances social projects by making available resources raised in conditions reflecting the quality of its rating. It thus grants loans to its member states, to financial institutions and to local authorities for the financing of projects in the social sector, in accordance with its Articles of Agreement.

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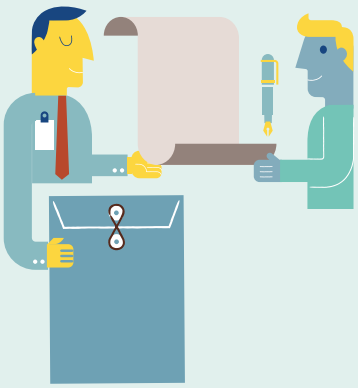
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FIND OUT MORE ONLINE **www.coebank.org**

CEB JOINS LANDMARK CLIMATE ACTION INITIATIVE

The CEB has adopted five voluntary Principles for Mainstreaming Climate Action, a global initiative of leading international financial institutions. The Principles, adopted in April, highlight practical, operational approaches to integrate climate into the core investments and advisory functions of financial institutions. The CEB has joined the coalition as part of the 30-strong multilateral development bank (MDB) group.



Governor Wenzel with Michael Kiesewetter, Chairman of the Managing Board of NBank

FINANCING GERMAN SOCIAL HOUSING

On 4th May, Governor Wenzel signed a €72 million loan agreement with Investitions- und Förderbank Niedersachsen (NBank) to finance a social housing programme for low-income people in the federal state of Lower Saxony. Lower Saxony has received a large number of refugees since 2015 and has made the development of affordable housing for low-income households a priority.

CEB ISSUES US$1BN GLOBAL BENCHMARK

On 10th May the CEB launched a successful new US$1 billion 2-year Global benchmark via BNPP, Morgan Stanley, Nomura and SG CIB.

The solid demand and high quality of books set the spread at MS-6bp with investors' interest amounting to more than US$1.5 billion. When final books closed, 34 accounts were participating.

The transaction carries a semi-annual coupon of 1.500% at MS-6bp, equivalent to +19.75bp versus 2-year US treasuries.



Claes Ramel, Kent Andersson, Ola Nyberg, Jan-Åke Troedsson, Rolf Wenzel

Recent official visits by the Governor

The last few months have seen a number of official visits to CEB member states by the CEB's Governor, Rolf Wenzel.

April saw him visiting Romania, which joined the CEB in 1996 and has had loans approved for 30 projects amounting to €1.7 billion.

In Sweden in May Mr Wenzel met with Karolina Ekholm, State Secretary to the Minister for Finance, to discuss subjects such as the ongoing social integration of migrants and refugees. During his trip, the Governor signed a loan agreement worth €160 million with the City of Malmö to finance the refurbishment and construction of education facilities.

In early June Mr Wenzel was in Poland to meet with government officials and to sign a €100 million loan agreement to support Polish micro, small and medium sized (MSME) businesses.

http://www.coebank.org/en/news-and-publications/news



Governor Wenzel (third from left) takes part in the panel discussion

Governor highlights CEB's role in promoting social inclusion

Governor Wenzel took part in the Global Partnership for Financial Inclusion Forum, held in Berlin on 2nd-3rd May as part of the framework of Germany's presidency of the G20.

Speaking in a panel discussion on the 'Financial inclusion of forcibly displaced persons' he outlined how the CEB is supporting migrants, refugees and displaced people in Europe in areas of social and financial inclusion. "Social integration and financial inclusion go hand in hand [so] access to the labour market, basic services and professional training or re-training is crucial," he said.

http://www.coebank.org/en/news-and-publications/news

PAGE 16 INFO TALKS TO VICE GOVERNOR SÁNCHEZ-YEBRA ALONSO ABOUT THE CEB'S ROLE, AND ADDING VALUE



Delegates at the meeting in Nicosia

CEB holds annual joint meeting in Cyprus

The CEB held its 52nd annual Joint Meeting in Nicosia on 16th June, at the invitation of the Cypriot government. The event brought together the members of the Bank's Governing Board, Administrative Council and senior management.

The President of the Republic of Cyprus, Nikos Anastasiades, in his opening address underlined the close and long-standing relationship between Cyprus and the CEB. Also speaking at the meeting were Dominique Lamiot, Chairman of the CEB's Governing Board, Joseph Licari, Chairman of the CEB's Administrative Council, and Rolf Wenzel, Governor of the CEB. A statement from the Council of Europe Director General of Democracy, Snezana Samardzić-Marković, was also read out.

President Anastasiades said that the CEB and Cyprus had a solid partnership and that over the years the Bank had helped Cyprus to tackle several social challenges. He stressed that the CEB could play an important role providing support for infrastructure projects in the event of a reunification of the island.

Governor Wenzel briefed the members of the Governing Board and Administrative Council on recent developments relating to the Bank's financial and lending activity and said that current developments in Europe kept reminding us of how important our work as a social development bank was. "By helping our member countries to address head-on the issues affecting vulnerable population groups, we make our own contribution to promoting inclusive growth and reinforcing social cohesion in Europe," he stressed.

In the afternoon, the CEB's 303rd Administrative Council meeting and 217th Governing Board meeting were held. The Governing Board re-elected Ambassador Miroslav Papa from Croatia as Deputy Chair of the Board. The Administrative Council approved ten new social projects worth a total of €810 million and discussed strategic and policy issues.

On Saturday, 17th June, Joint Meeting participants visited projects financed by the CEB in the field of education, namely the University of Cyprus in Nicosia and a primary school in Limassol.

At the University of Cyprus, Governor Wenzel and the University Rector, Professor Constantinos Christofides, in the presence of the Minister of Finance Harris Georgiades, signed an agreement for the first disbursement of a €32 million CEB loan to support the extension of the University's Athalassa campus.

> "By helping our member countries to address head-on the issues affecting vulnerable population groups, we make our own contribution to promoting inclusive growth and reinforcing social cohesion in europe."
> **Rolf Wenzel, Governor of the CEB**


Governor Wenzel welcomes the President of the Republic of Cyprus



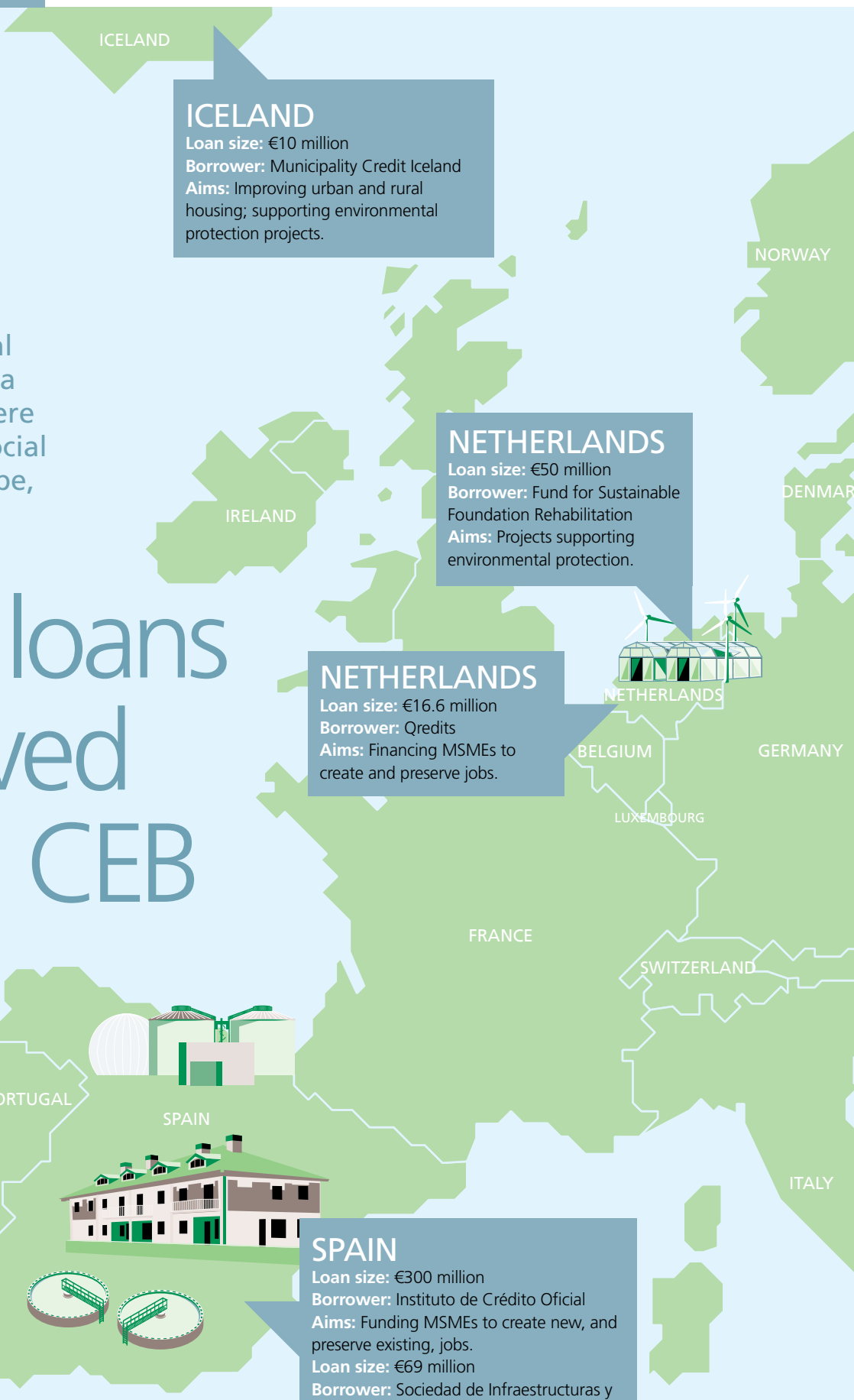
Vice-Governor in Montenegro

The CEB's Vice-Governor for Social Development Strategy, Rosa María Sánchez-Yebra Alonso, visited Montenegro in May to mark the inauguration of a construction site in Konik, near Podgorica for 51 new apartments. The project was one of the areas the Vice Governor discussed with Minister Purišić during her trip.

The Vice Governor's visit also included a meeting (pictured right) with Pavle Radulović, Minister of Sustainable Development and Tourism, to talk about social housing initiatives. From 2011-2016, some 800 Montenegrin households saw their long-term housing situation resolved, thanks to two CEB loans totalling €20 million, and discussions about a third, €10 million, loan are underway.

At the recent Annual Meeting of the CEB a raft of new loans were approved to fund social projects across Europe, totalling over €800 million.

Latest loans approved by the CEB



ICELAND

Loan size: €10 million
Borrower: Municipality Credit Iceland
Aims: Improving urban and rural housing; supporting environmental protection projects.

NETHERLANDS

Loan size: €50 million
Borrower: Fund for Sustainable Foundation Rehabilitation
Aims: Projects supporting environmental protection.

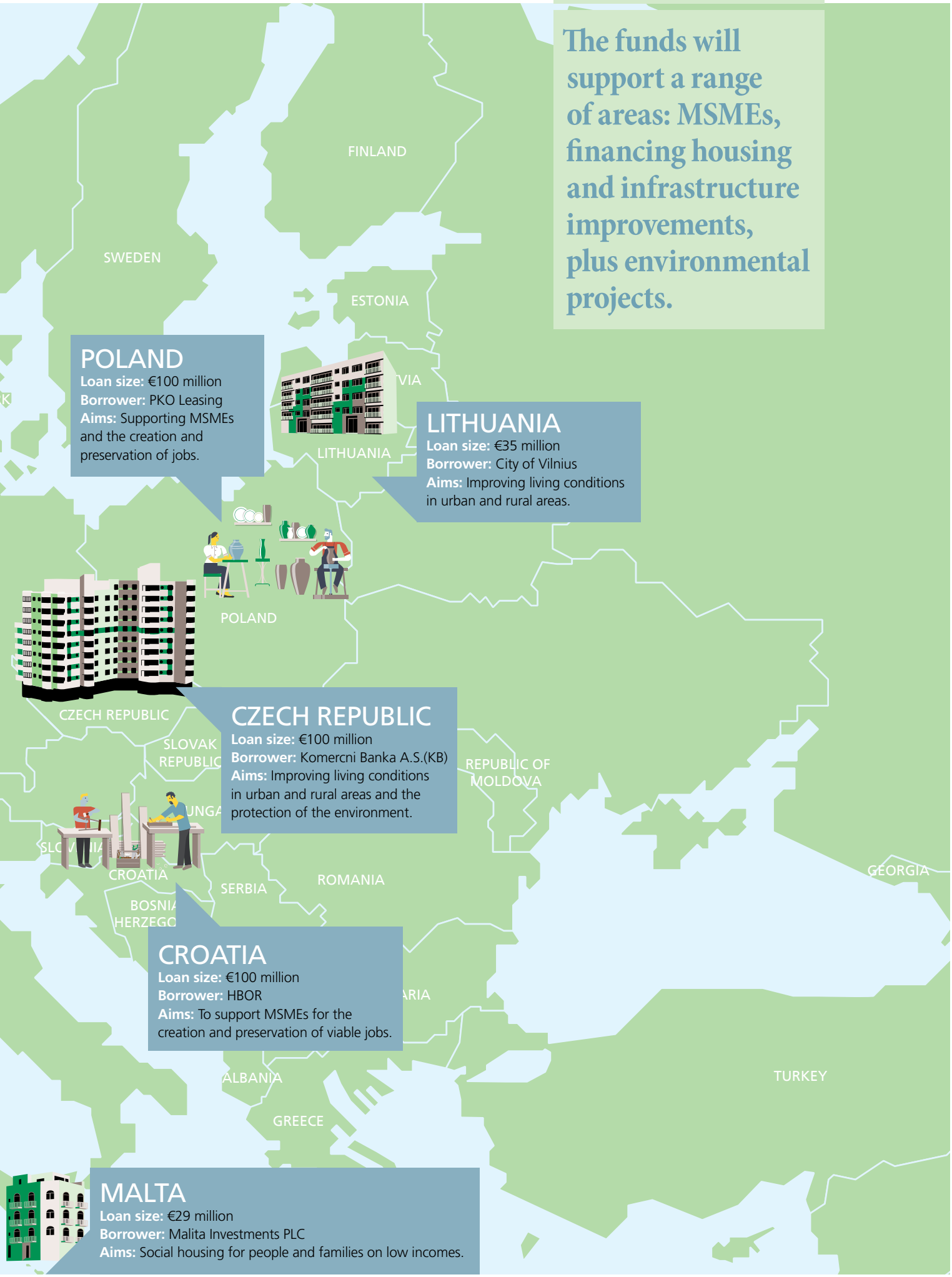
NETHERLANDS

Loan size: €16.6 million
Borrower: Qredits
Aims: Financing MSMEs to create and preserve jobs.

SPAIN

Loan size: €300 million
Borrower: Instituto de Crédito Oficial
Aims: Funding MSMEs to create new, and preserve existing, jobs.
Loan size: €69 million
Borrower: Sociedad de Infraestructuras y Medio Ambiente de Castilla y León S.A.
Aims: Improving living conditions in urban and rural areas; supporting projects to protect the environment.

The funds will support a range of areas: MSMEs, financing housing and infrastructure improvements, plus environmental projects.



POLAND

Loan size: €100 million
Borrower: PKO Leasing
Aims: Supporting MSMEs and the creation and preservation of jobs.

LITHUANIA

Loan size: €35 million
Borrower: City of Vilnius
Aims: Improving living conditions in urban and rural areas.

CZECH REPUBLIC

Loan size: €100 million
Borrower: Komercni Banka A.S.(KB)
Aims: Improving living conditions in urban and rural areas and the protection of the environment.

CROATIA

Loan size: €100 million
Borrower: HBOR
Aims: To support MSMEs for the creation and preservation of viable jobs.

MALTA

Loan size: €29 million
Borrower: Malita Investments PLC
Aims: Social housing for people and families on low incomes.

Creating opportunity. Supporting inclusion


Edgar Hazas and Ángeles García created Laboratorios Edyma with a loan from MicroBank

This issue of Info focuses on micro, small and medium sized enterprises (MSMEs) and their role in building cohesion, creating jobs and improving opportunities in member states. Microfinance is vital to the success of thousands of very small businesses, and over the last decade the CEB has approved loans worth millions of euros to microfinance providers.

What is microfinance?

The EU definition of microfinance is a microcredit, or loan, that is capped at €25,000. In many of the CEB's member states, microfinance offers a new chance to unemployed people – opening the door to entrepreneurship for some of Europe's most disadvantaged groups, including young people, refugees and people of migrant origin.

The CEB considers the provision of lasting professional and economic opportunity to migrants, refugees and other vulnerable population groups as a way of building cohesion and fighting inequality, exclusion and marginalisation. It recognises the vital role that microfinance plays in fostering labour market integration, and has, for years, been financing microcredit institutions or banks providing special lines to marginalised population groups.

The CEB's role in microfinancing

Since 2008 the CEB has approved loans amounting to more than €300 million to microfinance providers in six countries.

The CEB has provided € 280 million in loans to MicroBank in Spain, the only bank in the country that specialises in microfinance. In January 2017, the CEB approved a further €100 million loan to MicroBank, supporting an ambitious and highly social initiative designed to promote entrepreneurship, foster economic growth, create employment and help individuals and their families to overcome temporary financial difficulties and access the formal banking system.

"The significant financial support received from the CEB between 2008 and 2011, when the risk premium of the Spanish financial system was particularly high, has contributed enormously to the sustainability of our activity and has allowed us to quickly gain scale while at the same time being able to offer highly competitive conditions to our customers," says a spokesperson from MicroBank.

In Italy, a country facing similar economic challenges as Spain, the CEB supported PerMicro with a €6 million loan in 2013. PerMicro was established in 2007 with the goal of fostering the financial inclusion of people excluded from traditional banking channels because of a lack of guarantees or credit history, or because of their precarious working position. Today PerMicro operates across Italy, combining a business management approach with social goals.

Creating opportunities for the young

Despite considerable recovery after the economic crisis, Europe continues





Vardan Babayan, from Armenia, has established his own cafe thanks to funding from PerMicro

AT A GLANCE

38%
of MicroBank's clients are under 35

50%
of PerMicro's clients are under 35, and 59% of them are of migrant origin.

to be plagued by chronic youth unemployment, which threatens the economic and societal prospects of an entire generation.

Entrepreneurship can be a powerful tool to fight unemployment but difficulties in accessing finance represent one of the main barriers for aspiring entrepreneurs. Young people are in a disadvantaged position: they have low personal savings and their lack of credit history makes it difficult to obtain external finance.

A vital source of financing for refugees and migrants

The microfinance sector serves people from a migrant background, who cannot access regular banking channels. These clients are often not able to meet banking requirements and microcredit is practically the only source of financing available to them.

Vardan Babayan fled Armenia during a period of internal strife. He

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"The significant financial support received from the CEB... has contributed enormously to the sustainability of our activity."

Diving in at the deep end

Having recently completed their studies in biology, Edgar Hazas and Ángeles García had no luck finding a job. This is a familiar situation for young people in their native Spain (and many other European countries) where the youth unemployment level is 46%. So Edgar and Ángeles decided to create their own business. With nothing more than an idea, they applied for a €25,000 micro loan from MicroBank and created Laboratorios Edyma, a biotechnological centre focused on food safety and production of *in vitro* cultures. Three years later they serve the food processing industry and small and medium enterprises in the sector and they have become a benchmark at the European level.

"People thought we were mad setting up a company and asking for a loan at our age, but we believed in what we had in mind so we just dived in at the deep end," Edgar says.

Speaking the entrepreneur's language

"I always wanted to have a business but didn't know if I could ever achieve that," says Rosa López, the founder of the Schwa Language Academy and another MicroBank client. The young entrepreneur took her business idea to MicroBank, who advised her on the project and gave her a €16,000 loan to start her venture.

"When you finish your university studies, you have no money and no means to start a business; you need help," says López. In just two years, her business has taken off - the initial team of three people who were running the academy has become a staff of eight, and a new language centre in Sineu has been added to the first centre in Capdepera.



In Spain, the CEB borrower MicroBank is helping young entrepreneurs access finance

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passed through Russia, Ukraine and Austria before reaching Italy in 2012. Rejected by local banks and unemployed for a year in Florence, he finally found PerMicro. Thanks to a business microcredit, he opened 'Ararat Le Bracerie', a café selling traditional Armenian foods.

"It was my chance to open a little corner of Armenia in Italy and to feel at home," says Babayan. "I had no other option. I had no Plan B."

Boosting jobs and employability

Microfinance has great potential to boost job creation and help maintain jobs.

- In the past 10 years, MicroBank's microloans helped create 185,000 jobs.
- 125,000 entrepreneurs, many of them self-employed, benefited from a microloan.
- 69% of MicroBank's clients say they could not have put their project into effect with their own resources.

The impact of microfinance also goes further by helping to improve employability.

- According to MicroBank, 29% of entrepreneurs who are currently working as employees, think that their experience with their own businesses has helped them to get their current job.
- What's more, 14% of those currently unemployed are thinking of opening a new business.

Far reaching benefits

According to PerMicro, thanks to their microloans, more than 500 entrepreneurs and 1,600 families changed their status from non-bankable to bankable in six years.

Access to the formal financial system goes hand in hand with integration as financial inclusion is a key precondition for inclusion in society, not only for migrants and young people but for any member of the society.

"It is important to highlight further impacts on Italian public administration," says Andrea Limone, CEO at PerMicro, "such as the increase of governmental income that is around €12 million per year and the reduction of public expenses of around €3 million per year thanks to business microcredits."

A boost for target countries

Microfinance is gaining popularity in some of the CEB's target countries, which face high unemployment rates and rigid and costly credit systems. In such conditions, few existing companies and almost no start-ups can afford the interest rates offered in the market.



CEB funds make it possible for Mikrofin clients, many of whom live and work in remote rural areas, to access financing

MSMEs – the hope for growth in Bosnia and Herzegovina

In 2015, the CEB approved a €2.5 million loan to Mikrofin, a regional leader in the field of microfinance, with branches all over Bosnia and Herzegovina. In the country with an unemployment rate of almost 30%, hope for economic growth is centered on the micro and small business sectors that can find niche markets, move into import substitution segments, and take on new employees.

CEB's funds make it possible for Mikrofin clients, many of whom live and work in remote rural areas, to access financing for working capital, and to acquire productive fixed assets and build or extend business premises. One third of Mikrofin's clients are women.

"The loan will enable Mikrofin to provide hundreds of micro loans to non-bankable clients in Bosnia and Herzegovina and assist them in maintaining or improving the business and living standards of their families," said Mladen Bosnic, the CEO of Mikrofin.

Supporting entrepreneurs in Georgia

Another project recently approved by the CEB, worth €2.5 million, involves channeling financing to micro and small businesses in Georgia through Credo, one of the country's leading microfinance institutions. The aim is to support the creation and preservation of income-generating activities and self-employment as well as the development of micro-enterprises, particularly in rural areas.

Credo will target small entrepreneurs in agriculture, tourism and trade who have difficulty obtaining financing from commercial banks. The CEB funds are expected to reach many entrepreneurs and have a highly positive socio-economic impact on a vulnerable segment of the labour force.

PAGE 12 THE BIG POTENTIAL OF SMALL BUSINESS

Growing Italy's small businesses

Cassa Depositi e Prestiti (CDP) is a leading CEB borrower in Italy. Info met Antonella Baldino, Chief Business Officer at CDP, to learn more about the institution's work.

Info: With CEB's €150 million programme loan, CDP supports the goals of *Plafond Beni Strumentali*, an anti-crisis measure set up by the Ministry of Economic Development to boost economic growth. What are some of the specifics of this programme?
AB: *Plafond Beni Strumentali* represents the first Italian experience of a single, organic, instrument that combines Ministry of Economic Development support, funding made available by CDP and loans provided by the financial system. The leverage effect of deployed public funds maximises the use of private resources in support of the initiative.

The programme allows micro-, small and medium sized enterprises (MSMEs) to access financing from the financial system in order to acquire new machinery, equipment, capital goods and business equipment for productive use, as well as hardware, software and digital technologies. MSMEs receive a contribution, from the Ministry, to offset part of the interest charges on the investment financing.

Since the start-up phase of the instrument, CDP has provided financing at controlled conditions and covered a pivotal role between the Ministry and the Financial System with its territorial network.

Info: What has been the impact of *Plafond Beni Strumentali* since its operational start in 2014?
AB: The Plafond represents a success for Italy, demonstrating that good coordination between involved stakeholders can ensure speed and efficiency, even when managing complex support measures.

This is validated by the figures: since 2014 financings have amounted to approximately €5.5 billion in favour of over 21,000 MSMEs, with about €423 million in interest rate contributions from the Ministry.

Looking back on the last decade in Italy, one cannot recall a public incentive measure with such significant results, moreover, achieved in the current difficult phase of the economic cycle.

The *Plafond Beni Strumentali* is part of a wider group of CDP's dedicated economic support programmes through which we have allocated about €70 billion since 2009 in support of MSMEs, the environment, areas struck by earthquakes, home ownership and energy efficiency measures. These CDP instruments have captured and supported an altogether weak investment propensity observed in recent years.

Info: Support to MSMEs has long been one of the CEB's priorities. How would you assess the two institutions' collaboration in this sector so far?
AB: The *Plafond Beni Strumentali* has represented the first cooperation between the two institutions and enables CDP to keep the economic conditions of the Plafond as low as possible, with positive effects for investment initiatives and for employment at smaller Italian enterprises.

The excellent cooperation tested with this operation has already allowed us to pave the way for new common projects, and our respective services have engaged with a view to provide continued support to MSMEs as well as to the territories of central Italy hit by the recent seismic events.


Antonella Baldino, Chief Business Officer at CDP

CASSA DEPOSITI E PRESTITI (CDP)

Founded in Turin in 1850 to receive deposits in its capacity as a 'place of public trust'.

Promotes entrepreneurial initiatives that generate value for the community, the development of territories and strategic infrastructure, and the growth and international expansion of Italian enterprises.

In 2015 the European Union and Italian Parliament assigned it the status of National Promotion Institution.

"Looking back on the last decade in Italy, one cannot recall a public incentive measure with such significant results."



The big potential of small business

Micro, small and medium-sized enterprises (MSMEs) represent around 99% of all enterprises in the EU and over 95% in OECD countries. While a lack of access to finance remains their greatest impediment to growth, the CEB continues to support these vital enterprises.

Putting MSMEs in perspective

Recent Eurostat statistics reveal that MSMEs provided employment to more than 90 million, or two-thirds of the active working population in the EU, demonstrating that MSMEs play an essential role in job creation and employment, and significantly contribute to countries' GDPs. The same goes for the non-EU member countries of the Bank. In short, MSMEs are important drivers of economic growth. Yet, crucially, they lack access to finance.

To remain competitive in today's business environment, MSMEs need to be continuously engaged in new technology investment, process optimisation and innovation. These areas require stable longer-term finance that, often, is not supported by local financial intermediaries. Development finance institutions therefore have a key role to play.

A vital support

Job creation and preservation is one of the CEB's main sectoral lines of action and a priority in the current economic context in Europe. Recognising the potential of MSMEs as drivers of economic growth, net employment generators, and promoters of social cohesion, the CEB is responding to their limited access to finance by providing them with medium- and long-term financing.

While the CEB has invested in MSMEs since the 1970s, its support has intensified in the aftermath of the economic crisis in Europe.

Under the 2014-2016 Development Plan the CEB invested €2.3 billion in the MSME sector, which amount to almost a third of its portfolio. Plus, in 2016 alone, it approved €1.18 billion for MSME financing – a third of all loans approved. This resonates with wider European efforts to boost economic growth in Europe, such as the 'Investment Plan for Europe' (also known as the 'Juncker Plan').

As a social development bank, the CEB supports financial inclusion. In doing so,



The CEB is increasingly supporting state-owned banks that finance MSME activity. Between 2014-2016 this kind of financing represented 13% of all MSME loans.

The CEB has invested in MSMEs since the 1970s. However, its support has intensified in the aftermath of the economic crisis in Europe.

the CEB aims not only to reach a broad spectrum of MSMEs, whose access to credit is constrained, but also target whenever possible the smaller segment of the sector. Furthermore, the CEB funds microcredit providers that help the most disadvantaged to be financially independent and have a transformational impact on people's lives.

The CEB's financing of the MSME sector consists of multiple operations across Europe, further proof of the Bank's ability to respond to needs wherever they arise. CEB funds are primarily used to finance productive investment projects for the acquisition of machinery, equipment, vehicles, office and manufacturing premises, and production installations.

ABOUT ICO

ICO is a state-owned bank attached to Spain's Ministry of Economic Affairs, Industry and Competitiveness.

ICO promotes economic activities contributing to growth, development and the improvement of the distribution of the national wealth.

ICO has played an important role in financing businesses during the most difficult stages of the financial crisis.

In 2016 ICO's investments generated or maintained 338,676 jobs (2% of total full-time employment).

Promoting Polish development

In 2017 the CEB approved a €100 million loan to Poland's BZ WBK Leasing, subsidiary of Bank Zachodni WBK, for financing MSMEs through leasing operations.

The aim of the financing is to facilitate the access to capital that MSMEs need for development and investment. The funds are to be used for securing or creating permanent and seasonal jobs. Spending will be allocated to fixed assets and manufacturing equipment used exclusively for business activity.

"Thanks to our financial offer, small local producers who would like to open a new production line or renew their delivery vehicle fleet but don't possess the means for an investment will have more options, more flexibility and safety in managing their current level of capital and indebtedness," emphasises Tomasz Jąder, Vice President of BZ WBK Leasing Management Board.

The latest loan follows a €50 million agreement signed with BZ WBK Leasing in 2015 and a €100 million loan extended to Bank Zachodni WBK in 2016.

"Thanks to the new funds from the CEB, Polish entrepreneurs will be able to continue to have a real impact on strengthening our economy. It is an extraordinary opportunity for businesses from the less developed regions of our country as well as for small local entities," Jąder concludes.



CEB Governor, Rolf Wenzel (right) with Michał Gajewski, CEO of Bank Zachodni WBK

Strengthening Spain's small businesses

In 2017 the CEB approved a €300 million loan to Instituto de Crédito Oficial (ICO) to support MSMEs in Spain. Spain continues to struggle with the second highest unemployment and youth unemployment rates in the European Union. With MSMEs in the country providing 73% of all jobs (compared to the EU average of 66%), the aim is to strengthen the competitiveness of small businesses and support job creation and preservation in Spain.

The most recent loan follows in the footsteps of three previous operations totaling €880 million approved in 2013, 2014 and 2016. The loan will be augmented by ICO at least with the same amount and will provide MSMEs with cost-effective funding for financing long-term, productive investments. The emphasis will be on the smaller segment of the Spanish MSME market, thereby helping to close a major financing gap.

Channeled through accredited financial intermediaries, CEB funds will enable financing and the purchase of fixed assets such as machinery, equipment, vehicles, and office and manufacturing premises.

"As a result of this collaboration, more than 45,000 projects have been financed, partially or entirely, through ICO APEX facilities. With such positive results, our aspiration is to continue to work closely with the CEB, to be able to bring new operations with similar characteristics to fruition in the near future, with the ultimate aim of benefiting SMEs and the self-employed in our country," says Pablo Zalba, Chairman of Instituto de Crédito Oficial.

PAGE 11 INTERVIEW WITH CEB BORROWER, ITALY'S CASSA DEPOSITI E PRESTITI

Bringing a social mandate to capital markets

In April, the CEB issued its first social inclusion bond, creating an innovative new way for the Bank to finance its projects. The launch has enabled the CEB to demonstrate its leading role in the social bond market, with plans to issue a social inclusion bond on an annual basis.

In recent years socially responsible investment has gained importance in the capital markets. A bond market aimed at financing projects with social issues has emerged and deepened, supported by a growing number of investors who have begun to embed environmental, social, and governance standards into their investment decisions.

The CEB's explicitly and exclusively social mandate aligns the Bank naturally with this segment of the capital market, ideally positioning it to issue "social bonds" and to allocate the proceeds from these bonds to projects that support its strategic objectives.

"There is a natural fit in the objectives of the institution and the objectives of the social bonds market," says Arturo Seco Presencio, Deputy CFO in charge of funding activities at the CEB.

Social inclusion bond

In April 2017 the CEB issued its first social inclusion bond of €500 million with a seven-year maturity, gathering investor interest of more than €1 billion. The issuance followed a series of investor meetings across Europe to introduce the CEB's Social Inclusion Bond Framework, which benefitted from a positive second opinion from the specialised environmental, social and governance rating agency, Sustainalytics.

In line with the Social Inclusion Bond Framework, the proceeds are reserved for financing eligible loans to support social housing, education and vocational training, as well as job creation and preservation in micro, small and medium-sized enterprises.

The banks acting as lead-managers of this transaction were Credit Agricole CIB, Rabobank, DZ Bank and Goldman Sachs International. Credit Agricole CIB was the sole structuring advisor and Pierre Blandin, Head of SSA DCM at Crédit Agricole CIB says: "Crédit Agricole CIB has been honoured to advise the CEB on the structuring and the launch of its inaugural Social Inclusion Bond. Having a pure player such as the CEB bring its leadership and expertise is a key step for the development of the social bond sector."

By issuing a social inclusion bond to finance socio-economic development in Europe, the CEB is acting in accordance with its social mandate as well as capitalising on its strong track-record of executing social investments in Europe's communities. Commenting on the move, CEB Governor, Rolf Wenzel, says: "This landmark issuance is a proud moment for the CEB and a major step towards promoting social cohesion in Europe within the framework of the CEB's new Development Plan 2017-2019."

Internal collaboration

What sets social bonds apart from regular bond transactions? The difference is the obligation on behalf of the issuers to report on how the money is spent and its impact. In line with the best market practices and recommendations from the International Capital Markets Association (ICMA), the CEB has committed to publishing its Social Inclusion Report in 2018, a year after the issuance.

The stringent reporting requirements of the social bonds demand wider internal collaboration than regular funding transactions. While many directorates habitually assist with preparations for such transactions, this time it was essential to also work hand in hand with the Loans and Social Development Directorate.

"Thanks to an excellent internal coordination and proactive teams on all sides, the transaction was seamless. This is a very good example of teamwork towards a shared objective," remarks Seco Presencio.

The fact that the CEB already has strong monitoring mechanisms in place greatly facilitated the process. In its assessment of the CEB's framework, Sustainalytics particularly underscored the Bank's "robust due diligence processes to collect meaningful impact information."

Reaching out to new investors

One of the aims of the social inclusion bond is to broaden the investor base, in line with



"We have seen a lot of interest from investors who would not have ordinarily participated in our regular transaction."

Arturo Seco Presencio,
Deputy CFO, CEB



Proceeds from the social bond will finance loans to support social housing, education and job creation.

the CEB's funding strategy. "Our goal is to attract as many different categories of investors as possible. We have seen a lot of interest from investors who would not have ordinarily participated in our regular transaction. Some of them are not only sustainable, but exclusively social," explains Seco Presencio.

Depending on market conditions, the CEB's intention is to issue one social inclusion bond per year. Already this year the half-billion social bond represents a sixth of our overall funding, which is a considerable amount.

Market leadership

The CEB is a member of the ICMA, an umbrella organization that includes issuers, intermediaries, investors and capital market infrastructure providers from 60 countries worldwide. The Bank has been part of ICMA's social bonds working group since its inception in early 2016. In the same year the ICMA published guidance for issuers of social bonds, to which the CEB contributed.

According to Seco Presencio, this is important for the CEB, not just in terms of increased visibility in the field, but as an opportunity to position itself as one of the leaders of this segment. He makes parallels with the green bond market, where supranational organisations took the initiative, which then attracted a broader swathe of issuers, including banks, corporations and municipalities. "We want to create that kind of momentum in social bonds and try to bring the market to our objective, which is to enhance social cohesion in Europe," he concludes.

"This landmark issuance is a proud moment for the CEB and a major step towards promoting social cohesion in Europe within the framework of the CEB's new Development Plan 2017-2019."

Rolf Wenzel, Governor, CEB

PAGE 08 HOW MICROFINANCE IS MAKING THE DIFFERENCE TO MSMEs

CEB SOCIAL BOND: in figures

€500 million bond

7 year maturity

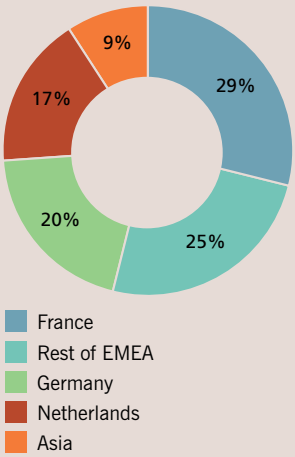
€1 billion+ investor interest

0.125% annual coupon

by investor type

- Asset managers: 30%
- Banks: 25%
- Central banks and official institutions: 24%
- Pension and insurance funds: 21%

by geographical distribution



Tailor-made solutions for social development

Rosa María Sánchez-Yebra Alonso was appointed as the CEB's Vice-Governor for Social Development Strategy in June 2016. Info met up with her to find out more about her background and how she feels the Bank can be most effective.

Info: Given your experience and background, what will you bring to the CEB in your capacity as Vice-Governor for Social Development Strategy?
S-YA: My executive positions have provided me with a deep knowledge of macroeconomic and financial issues at European and international level. I am also well acquainted with the challenges that all countries are facing now in the aftermath of the crisis. There is a huge need to strengthen the social dimension of macroeconomic policies and this is where my experience can help.

Info: In the context of current European challenges, where do you see a role for the CEB?
S-YA: We have to find a way to help governments strengthen their social responsibility. Most governments in Europe are constrained by their levels of debt and they have little scope to cater for the social demands. We have to be there and offer them solutions. As a social bank our mission is to support the efforts of public administrations and policymakers to put in place all the policies that reduce inequalities, not only in terms of income but also access to opportunities. This is how we can contribute to sustainable and inclusive development and fairer societies across Europe.

We also have a crucial role in the migrant and refugee crisis, which is a huge challenge from the political point of view and also for the stability of Europe. The CEB has been very responsive and offered quick solutions to the governments most affected by the migrant flows but now we must look into integration policies.

Info: How can the CEB be the most effective?
S-YA: We have 41 member states and a huge diversity among them. We have to understand the specific needs of every country to be able to offer them tailor-made solutions. This is key. Tailor-made means not only the financial package, with different instruments adapted to the needs and the absorption capacity of the country, but also the entire project cycle, from the identification and design phases to the implementation of the project itself.

We should also team up with other multilateral organisations on the ground to offer a whole package to the client. The added value of a joint solution will be much higher than the sum of the added value of each institution.

Allow me to say that I am very impressed by the work the Bank is doing and the qualifications of the staff. The CEB is managing to stay very competitive in the market both in terms of pricing and in the flexibility to address the countries' specific needs. The increase in the loans portfolio is proof of that.

> **"The CEB is managing to stay very competitive in the market both in terms of pricing and in the flexibility to address the countries' specific needs."**



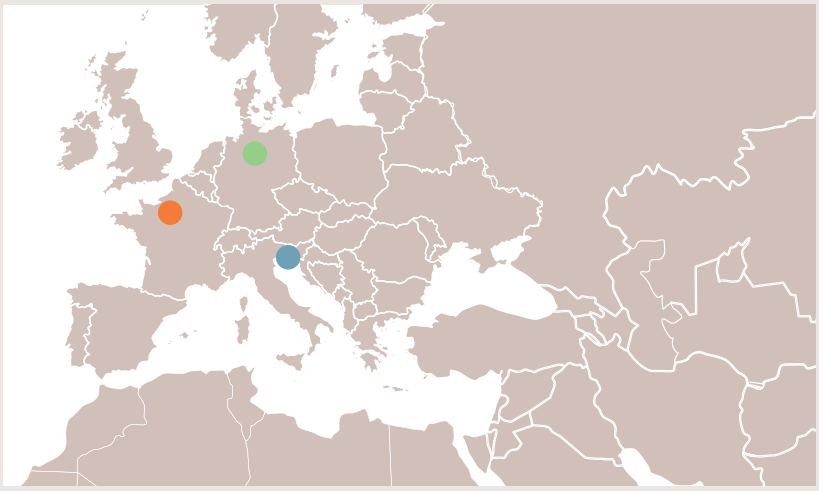
ROSA MARÍA SÁNCHEZ-YEBRA ALONSO

Appointed the CEB's Vice-Governor for Social Development Strategy in June 2016

Previously held senior posts in Spain's public administration, including as Secretary General of the Treasury and Financial Policy, member of the Board of the Bank of Spain and the National Securities Supervisor.

What's on July-September 2017

A variety of development sector meetings and events are set to take place throughout the summer and early autumn. Below is a round-up of the key events, alongside the latest publications launched by the CEB.



10th July, Paris:

Conference CEB-Groupe Caisse des Dépôts 'Financing social infrastructure in support of inclusive growth in Europe'

This conference will focus on the specific financing needs of social infrastructure, the best public policies to meet them, plus innovative funding tools.

7th-8th July, Hamburg:

G20 Summit 'Shaping an interconnected world'

Hamburg will be hosting the twelfth meeting of the Group of Twenty as heads of state and government of major industrialised and emerging market economies come together to discuss cooperation on a host of issues.

More at: www.g20.org

12th July, Trieste:

Fourth Western Balkans summit

Italy is hosting the annual summit of the Western Balkans as part of the 'Berlin Process' for European integration of the Western Balkans states. Delegates will include representatives from Bosnia-Herzegovina, Serbia, Montenegro, Kosovo, Macedonia, Albania, EU member states and major financial institutions.

More at: europeanwesternbalkans.com

29th September, Paris:

Meeting of the CEB's Administrative Council

This will be the fourth of five meetings of the Council this year. The Council consists of one representative for each of the CEB's member states and its role includes approving new investment projects.

More at: coebank.org/en/about/structure-management/administrative-council

LOOK OUT FOR THE NEXT ISSUE OF **info** OUT IN OCTOBER

Read our latest publications

All CEB publications can be downloaded from our website. Visit coebank.org and click on news and publications.



REGIONAL HOUSING PROGRAMME (RHP) FUND ANNUAL REPORT 2016

The RHP Fund is managed by the CEB, and this report details the Fund's progress during 2016, a year in which it delivered a record number of homes to vulnerable families.



DONOR REPORT 2016

Donors are key partners for the CEB, and this report details the Bank's recent projects and achievements that were made possible by donor support.



CEB STRATEGIC REPORT 2017-2019

The Strategic Report looks at the CEB's achievements and its challenges, and outlines its strategic aims over a three-year period.

DOWNLOAD CEB PUBLICATIONS **http://www.coebank.org/en/news-and-publications/ceb-publications/**

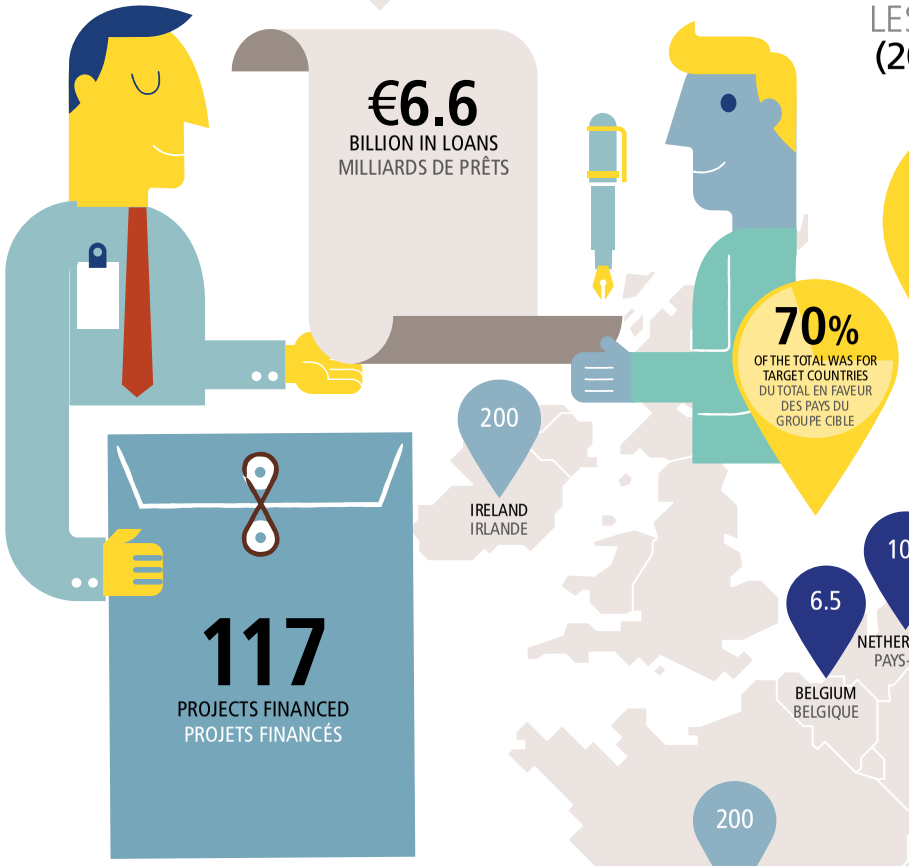
Supporting MSMEs
Soutenir les TPE/PME

Discover how CEB funding is enhancing opportunities for small businesses in member states.

Découvrez comment les financements de la CEB accroissent les opportunités pour les petites entreprises dans les États membres de la Banque



MSMEs
THE BIG FIGURES
TPE/PME
LES CHIFFRES
(2007-2017)



27
COUNTRIES
PAYS

70%
OF THE TOTAL WAS FOR TARGET COUNTRIES
DU TOTAL EN FAVEUR DES PAYS DU GROUPE CIBLE

INVESTMENT IN € MILLION
INVESTISSEMENTS EN MILLIONS D'EUROS

- ≤100 — ALBANIA, BELGIUM, ICELAND, GEORGIA, LATVIA, LITHUANIA, THE FORMER YUGOSLAV REPUBLIC OF MACEDONIA, MONTENEGRO, NETHERLANDS, PORTUGAL, REPUBLIC OF MOLDOVA, SERBIA, SLOVENIA
  ALBANIE, BELGIQUE, ISLANDE, GÉORGIE, LETTONIE, LITUANIE, "L'EX-RÉPUBLIQUE YOUGOSLAVE DE MACÉDOINE," MONTÉNÉGRO, PAYS-BAS, PORTUGAL, RÉPUBLIQUE DE MOLDOVA, SERBIE, SLOVÉNIE
- ≤200 — BOSNIA AND HERZEGOVINA, BULGARIA, CROATIA, FRANCE, GERMANY, IRELAND, SLOVAKIA, SLOVENIA
  ALLEMAGNE, BOSNIE-HERZÉGOVINE, BULGARIE, CROATIE, FRANCE, IRLANDE, RÉPUBLIQUE SLOVAQUE
- ≤300 — CZECH REPUBLIC, HUNGARY, ROMANIA, SLOVAKIA
  HONGRIE, RÉPUBLIQUE TCHÈQUE, ROUMANIE
- ≤400 — ITALY
  ITALIE
- >500 — POLAND, SPAIN AND TURKEY
  ESPAGNE, POLOGNE, TURQUIE

4 ICELAND / ISLANDE
200 IRELAND / IRLANDE
6.5 BELGIUM / BELGIQUE
100 NETHERLANDS / PAYS-BAS
200 GERMANY / ALLEMAGNE
260 CZECH REPUBLIC / RÉPUBLIQUE TCHÈQUE
1626.5 POLAND / POLOGNE
10 LITHUANIA / LITUANIE
33 LATVIA / LETTONIE
103 SLOVAKIA / RÉPUBLIQUE SLOVAQUE
200 FRANCE
100 SLOVENIA / SLOVÉNIE
245.2 HUNGARY / HONGRIE
270 ROMANIA / ROUMANIE
10 REPUBLIC OF MOLDOVA / RÉPUBLIQUE DE MOLDOVA
22 GEORGIA / GÉORGIE
358 ITALY / ITALIE
122.5 CROATIA / CROATIE
90 SERBIA / SERBIE
8 BOSNIA AND HERZEGOVINA / BOSNIE-HERZEGOVINE
189 MONTENEGRO
145 BULGARIA / BULGARIE
34 "THE FORMER YUGOSLAV REPUBLIC OF MACEDONIA" / "L'EX-RÉPUBLIQUE YOUGOSLAVE DE MACÉDOINE"
5 ALBANIA / ALBANIE
980 TURKEY / TURQUIE
10 PORTUGAL
1333 SPAIN / ESPAGNE

Soutenir les TPE/PME