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

# Info

THE QUARTERLY MAGAZINE OF THE COUNCIL OF EUROPE DEVELOPMENT BANK #1-2 2020



Spotlight on…

## Genoa: sustainable, resilient, *superba*

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**COVID-19:** *the CEB's immediate response to the crisis*

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# Dear reader,



The current issue of **Info** was for the most part completed before the coronavirus crisis took global proportions, so only a small part of it is about this new reality with which we are still coming to grips. One lesson we can draw already is that the rapid spread of Covid-19 has underlined more than anything else that, beyond the personal responsibility which each and every one of us has in terms of taking precautions to shield ourselves and others, coordinated action is key to dealing with the pandemic and protecting the most vulnerable persons in society. All the more so, since it has become clear that the world is facing an unprecedented threat to public health with huge implications for numerous other sectors and the global economy.

Governments have announced exceptional fiscal support measures and monetary authorities have taken action to restore confidence in the financial markets and bring stability. The CEB promptly took measures aimed at, on the one hand, protecting its employees and partners while remaining fully operational and in a positon to fulfill its obligations, and, on the other hand, putting in place the necessary mechanisms in order to lend its full support to its member countries and other counterparties during this difficult period and in the months to come.

There will be a separate publication out soon covering the matter more extensively and providing further information on the CEB's response to the crisis. You can also find related information and updates on our website www.coebank.org and our social media.

Despite the current situation, the CEB remains active and engaged in supporting its members' social investment projects. In this issue you can read more about CEB activity at the local level, working with sub-national authorities to ensure targeted and even more effective action in support of social development, with examples from Lithuania, Italy and Germany.

Enjoy reading this issue and, most importantly, stay healthy!



**Rolf Wenzel**
Governor, CEB




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Info **Magazine was produced by the Council of Europe Development Bank (CEB) and Blackwood: weareblackwood.com**

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ISSN: 2707-0778

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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.




# CEB support during the COVID-19 crisis

**The CEB is fully committed to providing flexible and timely financing to its member countries in the emergency response to the COVID-19 outbreak. We also stand ready to accompany our counterparties along the following stages of the crisis covering recovery, improved preparedness / risk management and enhanced resilience.**

In the current, rapidly-evolving health emergency, the CEB is in constant contact with its member countries which have been severely impacted by the ongoing pandemic, with a view to identifying specific needs and taking appropriate measures.

Specifically, in response to the challenges posed to Europe's public health systems, the Bank has adapted its Public Finance Facility (PFF), a financing instrument aimed at national and sub-national public sector partners, to cover:

- the acquisition, under emergency procedures, of medical equipment and consumable material
- the rehabilitation and transformation of spaces, medical units
- general support for civil protection entities
- the mobilisation of additional expertise
- as well as any relevant action in other sectors such as social care and education services, aimed at reducing the impacts of the ongoing emergency, including on most vulnerable groups.

## Supporting MSMEs and municipalities

In an effort to mitigate the economic and social impact of the COVID-19 outbreak, the CEB is also engaging with national promotional banks in order to continue supporting MSMEs and municipal companies, with a focus on the preservation of jobs and on enabling ongoing municipal investments.

This type of financing comes in the form of programme loans, further adapted to the specific working capital and treasury needs of CEB partners.

In order to provide an efficient response to such needs, specific requests for financing will be dealt with by CEB services in a prompt and timely manner.

## "Taking all necessary steps"

CEB Governor, Rolf Wenzel, said: "As a social development bank with decades of experience in financing public health sector improvements and in supporting small businesses throughout its member countries, the CEB is taking all necessary steps to help mitigate the impact of the COVID-19 pandemic and address its aftermath, including improved preparedness.

"The Bank has reviewed and adjusted its financing instruments and is prepared to scale up its financing as needed and in coordination with action undertaken by the European Commission, other international organisations, and partner IFIs."

> **"The Bank has reviewed and adjusted its financing instruments and is prepared to scale up its financing as needed."**
>
> CEB Governor, Rolf Wenzel

# Sharing knowledge, driving solutions

**Micro, small and medium enterprises (MSMEs) drive economic growth in countries and regions, yet many struggle due to problems accessing finance, and even as a result of their institutional environment. A new CEB Technical Brief looks at how these factors affect firms' economic performance in Europe.**

'Credit constraints, regional institutions and the economic performance of MSMEs' is a new Technical Brief from the CEB's Technical Assessment & Monitoring Directorate. The brief presents the main findings of an empirical analysis examining the relationship between credit constraints, firm-level economic performance, and institutional quality in different European regions, and their impact on MSMEs.

## Key findings

The analysis, which looked at 22,380 manufacturing firms from 11 European countries between 2009 and 2016, highlights the following points:

- Credit rationing is rife in Europe, which corroborates a broadly shared view concerning the existence of a significant MSME financing gap.
- Poor access to finance represents a serious barrier to improvements in firm-level labour productivity – an effect that's far greater for MSMEs than for larger firms.
- High-quality regional institutions foster labour productivity and help reduce the negative relationship between credit constraints and labour productivity that limits the performance of MSMEs.

## Resolving the productivity conundrum

If Europe is to deal with its 'productivity conundrum' it must pay greater attention to the credit constraints faced by MSMEs. International financial institutions, such as the CEB, help to address this market failure and can make a huge difference by increasing access to credit and, therefore, the productivity of local MSMEs. Moreover, in many European countries, even greater economic benefits could be reaped if better access to credit were accompanied by improved institutional quality.



## About the Technical Brief

This Technical Brief was prepared by Monica Brezzi and Kristina Maslauskaite from a paper by Brezzi, M., Ganau, R., Maslauskaite, K. and A. Rodriguez-Pose (2019) entitled, 'Credit Constraints, Labour Productivity and the Role of Regional Institutions: Evidence for Manufacturing Firms in Europe' which is under review for publishing.

## How the CEB supports MSMEs

The CEB has been providing loans to intermediary financial institutions to create and maintain jobs in MSMEs since 1968. Supporting this sector became a pillar of the Bank's activities in the mid-1990s.

In 2018, the CEB approved €1.1 billion for MSME financing, over the period from January 2010 to September 2019 amounting to over €8.5 billion. This funding enables MSMEs to start up new, or expand existing, businesses by capitalising on new technologies, innovation and process optimisation.

The CEB's programme loans to local commercial banks, national and regional development banks, leasing companies and microfinance institutions supports job creation and preservation through the partial financing of productive investments in MSMEs. For smaller companies, asset-backed financing (e.g. leasing, purchase-order and warehouse receipt finance) is often the only form of investment finance they can access, so the funding the CEB provides to leasing companies helps to support this.

Microfinance projects supported by the CEB are particularly targeted to micro-enterprises, start-ups and those involving young people, women and refugees. These aim to stimulate employment generation, promote financial and social integration, and reduce inequalities.



**Download the brief:**
**https://coebank.org/media/documents/Technical_Brief_MSME_Credit_Constraints.pdf**

# Building social cohesion in Leipzig



**A long-term commitment to quality rental housing and social cohesion has led the CEB to join forces with Saxony's largest municipal housing company, Leipziger Wohnungs- und Baugesellschaft mbH (LWB).**

Leipzig is the largest city in the Free State of Saxony with more than 600,000 inhabitants. It is considered one of the fastest growing communities in Germany. The LWB, as a wholly owned subsidiary of the city of Leipzig, and responsible for the city's municipal housing, is at the forefront of the challenge to provide quality housing to the city's inhabitants, many of whom are on low incomes.

The CEB has agreed a long-term cooperation with the LWB to provide loans for the construction of affordable housing. The LWB is the second municipal housing company in Germany to receive direct support from the CEB. The corresponding framework agreement between the CEB and Saxony's largest municipal housing company covers a loan volume of €58 million, which is now to be increased to a total of up to €100 million.

Among other things, the funds will be used for three ongoing LWB housing projects. Some 353 apartments will be built, the majority of which will be part of the subsidised new rental housing. One of the new buildings will include a day care centre for children.

Further projects to create several hundred subsidised apartments and two day-care centres for children, are currently in preparation. CEB is also to be one of the financiers here.

## Social challenges

Commenting on the new agreement, Ute Schäfer, LWB Managing Director of Finance and Portfolio Management, says: "With the CEB we have gained another strong financing partner. This enables us to shoulder the high capital requirements resulting from our growth strategy even better. With its favourable conditions, the Council of Europe Social Development Bank is supporting the LWB in its sustainable investment strategy, particularly in subsidised new housing construction and renovation."

CEB Governor, Rolf Wenzel, visited Leipzig in January 2020 and saw one of the LWB construction sites. During his visit, Mr Wenzel emphasised the importance of all activities

that promote social cohesion. This includes the construction of affordable housing, and the creation of social infrastructure, such as kindergarten places. In communities like Leipzig this is a permanent challenge for all stakeholders.

## The role of the LWB

"The LWB, as a municipal enterprise, has a special role to play in this context," explains Iris Wolke-Haupt, LWB Managing Director of Housing and Construction. "The company has a great responsibility to its tenants and the citizens of the city of Leipzig, and that is why it is important that we work together with the City of Leipzig and the State of Saxony to create good conditions for affordable housing in new construction and refurbishment.

"As well as renting out apartments, we also feel responsible for the neighbourhood by investing in social cohesion and supporting associations whose projects are specifically aimed at improving the living environment or helping people in difficult living situations."

"The basis and prerequisite for our actions is and remains the sustained economic stability of the LWB," says Ute Schäfer. "The LWB has developed its scope for action over a long period, and this is a solid foundation on which to build."



## History of the LWB and social housing

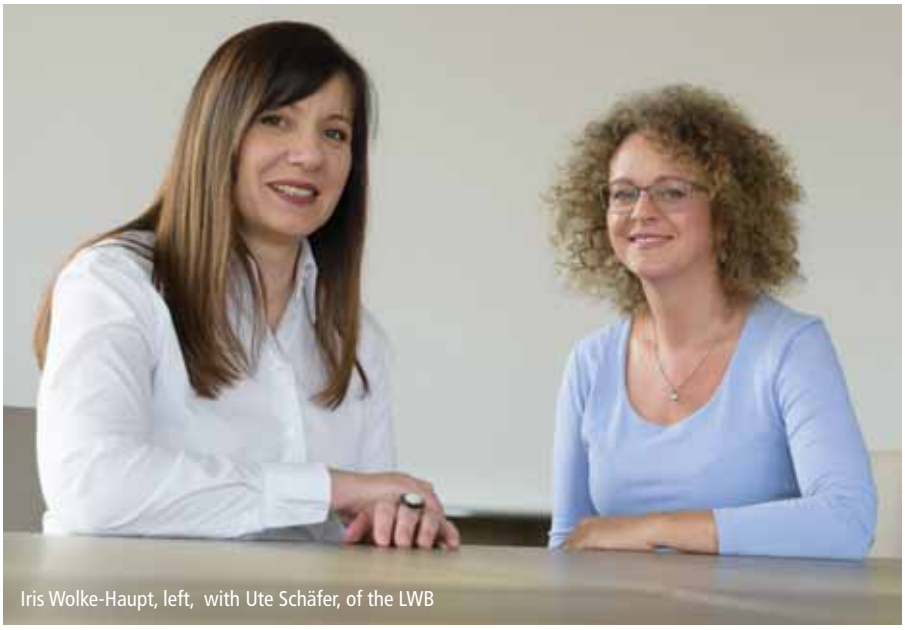
After years of debt relief and consolidation, the LWB completed a change in strategy in 2012. Since then, its investment in housing stock has risen sharply. In 2017, it launched an ambitious new construction programme, and, within a few months, the construction of around 1,000 apartments was prepared. Subsidies from the Free State of Saxony have been used for well over half of these, creating long-term rent-controlled apartments.

For many years the LWB has also supported the City of Leipzig in the creation of childcare places. In addition to granting leaseholds for day care operators, since 2016 three day care centres have been built by LWB itself and more than 50 childminders in the LWB housing estates have received start-up financing.

- Founded **10 December 1990** as a wholly owned subsidiary of the city of Leipzig
- **Supplies much of the city's municipal housing; responsible for urban development; also manages commercial properties**
- Largest municipal housing company in Saxony; one of the largest in Germany
- Has some **35,300** apartments; occupancy rate **c.96%**
- **450 employees**
- 2019 average cold rent (excluding heating, electricity, water): **€5.34/m2**

**"Social housing is one of the CEB's priority areas of action. In Germany, the CEB has well-established partnerships with regional promotional banks through which it has lent and continues to lend for low income housing projects. In line with the CEB's strategy for 2020-2022, the Bank is now stepping up its direct engagement with cities and municipal companies to enhance its reach in this cornerstone of the Bank's social mandate."**

Philipp Voswinkel, CEB Country Manager for Germany



Iris Wolke-Haupt, left, with Ute Schäfer, of the LWB

# Sustainable, resilient, *superba*

**Genoa, known as 'La Superba', is Italy's largest port. A €50 million loan from the CEB is helping this historic city to develop the resilience it needs to meet ecological, economic and social challenges.**

Genoa has experienced four major floods in the last 50 years. Urban sprawl across flood plains, hills and river valleys has narrowed riverbeds and flattened coastal areas, making the city and its surroundings more vulnerable to natural disaster. Today, Genoa is one of the urban areas where climate change is projected to significantly increase the risk of flooding, sea level rise, storm surges and landslides.

Alongside its susceptibility to natural disaster, the city also faces the social challenges of demographic change and an ageing population, and the economic challenges of diversifying its economy and creating high-value jobs.

## Planning for resilience

In November 2019 Genoa's city administration approved a Resilience Strategy to help strengthen the city's capacity to adapt and grow in the face of stresses and shocks. The Action Plan, the implementing tool of the Resilience Strategy, is under preparation. The Resilience Strategy will be implemented through the city's investment planning process, in particular the Municipal Investment Plan. The Municipal Investment Plan for 2019-2021 has three key priorities:

- Enhancing access to, and quality of, public infrastructure and services, with a focus on education
- Increasing the area's resilience to hydrogeological risk through flood control works
- Improving quality of life and the historic city centre through urban regeneration and conservation.

The commitment of the city administration to building resilience is expected to enhance the social and economic impact of these municipal investments.

## Promoting a positive future

The city's Municipal Investment Plan will be supported with a €50 million loan from the CEB. The loan agreement was signed by the Mayor of Genoa, Marco Bucci, and CEB Vice-Governor, Carlo Monticelli, in October 2019.

The CEB loan aims to create the conditions for development, which will in turn help to stop depopulation and promote Genoa's growth in the medium to long term. The loan will improve the safety and attractiveness of Genoa by:

- Improving the area's resilience to natural disasters through the city's increased capacity to recover, function and thrive in the aftermath of a shock or a stress
- Enhancing the quality of, and access to, education and sporting facilities and green space
- Supporting urban regeneration and the preservation of the city's heritage, including revitalising the historic city centre; this will improve quality of life for residents, grow commercial revenue by attracting more tourists, and enhance social cohesion through increased access to quality public spaces.

> **"Regions and other local governments play a crucial role in improving citizens' living conditions and in fostering sustainable and inclusive growth."**
>
> Carlo Monticelli,
> CEB Vice-Governor



PAGE 12 THE CEB IS SUPPORTING INNOVATIVE NEW PROJECTS IN KAUNAS, LITHUANIA

# A leading light

**Info** talks to Stefania Manca, Genoa Resilience Manager, about the City's plan to make Genoa more resilient.


Stefania Manca, Genoa Resilience Manager

Info: **What are the objectives of Genoa's Resilience Strategy?**
**SM:** It's forecast that, by 2050, across Europe, 82% of the population will be living in cities – a factor that will demand profound changes in the provision of housing, transportation, energy, education and healthcare.

Genoa's Resilience Strategy, Lighthouse - Genova Città Faro, aims to make the city resilient to the impact of urban transformation, and the challenges of climate, demographic and technological change. It offers a roadmap that will make Genoa able to adapt effectively and quickly. It uses a new framework to analyse challenges, recognise opportunities and adopt solutions. The framework is based on three core assets:

- **Grey:** focused on the innovative development of infrastructure, infrastructure security, and systems redundancy
- **Green:** focused on urban regeneration through adaptation and prevention, progressive decarbonisation, and sustainable development; Genoa will become a more liveable city, reducing inequalities, promoting integrated planning and supporting community ownership
- **Soft:** focused on the social and economic impacts on communities and enterprises, and on renewing the city's ability to reshape and establish new models of working, and new services.

Info: **How has the municipality adapted its own structure to support the strategy?**
**SM:** The municipality has created a new management structure, the Ufficio Resilienza e Progetti Europei, and a new position of Resilience Manager to ensure the holistic implementation of the strategy. As Resilience Manager, I act as the link bringing together all stakeholders who are involved.

Info: **How is the strategy being implemented, and who is involved?**
**SM:** Ownership and leadership are key to the success of the Resilience Strategy. We have created an action plan with the support of key local, metropolitan, regional and national bodies, representatives from trade, industry and the research sector, climate bodies, and people in the community. We have deployed a range of communication channels to ensure that everyone has a voice in the process.

The action plan, which will be regularly updated, focuses on:

- changing local legislation to support territorial resilience
- identifying new models of public-private partnerships
- ensuring actions/interventions are sustainable
- monitoring outcomes and impacts.

Info: **What part has the CEB played in the process?**
**SM:** During the formulation of the Resilience Strategy there has been a close working relationship between the City and its many partners, including the CEB, to ensure the framework and working methodology were robust and fit for purpose. Our partnership with the CEB is key in enabling Genoa to:

- mitigate population vulnerabilities
- adapt to climate change (by addressing hydrological risk in particular)
- become more economically and socially attractive to investors and external actors keen to take part in Genoa's transformation.

Info: **How will Lighthouse - Genova Città Faro benefit the citizens of Genoa?**
**SM:** The citizens and businesses of Genoa can expect to see short, medium and long-term benefits from the Resilience Strategy, and they will play an active part in the shaping and implementation of projects. Within the next ten years people will start to see a new city skyline taking shape as new projects and services are launched. By 2050, urban areas will have been regenerated and Genoa will be a renewed, liveable city, resilient in the face of diverse potential future challenges.

## At a glance

### Municipal Investment Plan – key priorities

The budget will focus on public infrastructure and services

Flood control works

The urban regeneration of the historic city centre



# The geography of discontent

**Info** talks to Professor Andrés Rodríguez-Pose, Professor of Economic Geography at the London School of Economics, about the importance of investing in cities and regions in decline.



Info: What is 'geography of discontent' and why should we pay attention?
**A R-P:** The geography of discontent refers to the unhappiness and dissatisfaction of individuals who live – and often feel stuck – in territories that are experiencing a 'development trap'.

This includes territories that have stagnated for long periods and been unable to develop. It also includes cities and regions that were once vital motors of economic activity, but which, as a result of the most recent wave of globalisation, have experienced prolonged economic and industrial decline.

The inhabitants of these areas are increasingly dissatisfied with a 'system' that they believe no longer serves them and are using the ballot box to vote for parties at both extremes of the political spectrum to express their discontent.

Why should we pay attention? It is not just a question of fairness. The rapid rise of populism fuelled by this wave of discontent is becoming one of the most serious challenges to a system that, despite its many flaws, has brought about the longest periods of prosperity and political stability, and the greatest equality that Europe has ever experienced.

Economic stagnation and decline are causing social, political and economic pressures, which, if not addressed, will exacerbate existing interpersonal and territorial inequalities and limit economic activity and wellbeing. Crucially this will not only take place in the discontented regions, but in those that have provided the greatest economic dynamism.

Info: You have spoken extensively about the 'revenge of places that do not matter'. How can we address this phenomenon?
**A R-P:** Until now, most economic policies and investments have targeted two types of place: those deemed to have the greatest potential for economic growth and development (the largest agglomerations concentrating firms, skills, economic and political power), and the poorest places, with significant shortages in all types of endowment.

Many other territories have fallen between the cracks, including cities and regions in long-term decline. These were neither large nor dynamic enough to attract investment, nor were they poor enough to warrant attention. In a way, they had become places that didn't matter: they were forgotten, neglected or considered incapable to redress decline.

It is these places that are saying 'enough is enough' and are rebelling at the ballot box. This reaction has gone beyond a cry for attention to become a movement that is seriously threatening political, economic and social stability, yet without providing viable solutions.



## Andrés Rodríguez-Pose

- Professor of Economic Geography at the London School of Economics and a part-time Professor of Innovation at the University of Stavanger (Norway).
- Past-President of the Regional Science Association International (RSAI), and a regular advisor to many international organisations, including the European Commission and the World Bank.
- Awarded the 2018 ERSA Prize in Regional Science and has been a holder of a European Research Council (ERC) Advanced Grant and of a Royal Society-Wolfson Research Merit Award.
- Has received Doctorates Honoris Causa from Utrecht University in the Netherlands, and Sweden's Jönköping University.
- Editor of *Economic Geography*; sits on the editorial board of 33 other scholarly journals.




**“Economic stagnation and decline are causing social, political and economic pressures, which, if not addressed, will exacerbate existing interpersonal and territorial inequalities and limit economic activity and wellbeing.”**

Professor Andrés Rodríguez-Pose

What can be done? Almost all places have potential, even if this has remained untapped for a long time. Europe must fix the so-called places that don’t matter. Investment is needed in regions with long-term trajectories of low-, no-, or negative-growth, and intervention must go beyond compensatory and/or appeasement measures to tap into a region’s potential and opportunities to reverse decades of decline. Place-sensitive policies, that target the challenges and potential of different types of region, must be created.

Info: CEB’s recently published Technical Brief, to which you contributed, looks at the interplay of small business and access to finance across European regions. What are the main conclusions?

**A R-P:** The Technical Brief (featured on page 05), written with Roberto Ganau, Cristina Maslauskaite and Monica Brezzi, shows that restrictions in the credit market primarily affect smaller firms and those in regions with weaker institutions and government quality – precisely those places that ‘don’t matter’ and where discontent has been brewing for longer. Credit constraints in these areas can affect their economic dynamism, harming innovation and competitiveness.

Info: In your opinion, what role can international financial institutions (IFIs) play in providing opportunities everywhere, including places left behind?

**A R-P:** IFIs can, and should, play a fundamental role in addressing this market and institutional failure. They should facilitate the capacity of commercial banks to lend to MSMEs as the best way to mobilise local talent and potential, and increase productivity and innovation.

IFIs can also help local governments and financial institutions to improve their operational capacities, as any measure to facilitate firms’ access to credit will need to be complemented with interventions to improve institutional quality. Both factors in combination are necessary to deal with credit constraints and to improve the productivity and competitiveness of firms in places that have been long neglected.

PAGE 14 SEE ALL THE LATEST CEB LOAN APPROVALS AT-A-GLANCE

# Kaunas – a creative city

**Kaunas is an important regional, cultural and business centre in Lithuania, and funding from the CEB is being used in innovative projects across the city's education, health, sports and cultural services.**

Kaunas is the second largest city in Lithuania after Vilnius, with around 300,000 inhabitants. In recent years, the city has reinvented itself from industrial centre to a hub of business, learning and innovation. In 2015 the Kaunas City Municipality approved an ambitious strategic development plan, and its vision up to 2022 is to turn Kaunas into 'a sustainable and civic-minded city leading in advanced business and innovation. A centre of modern and involving culture, home to learning and happy people'.

Kaunas is one of the 246 UNESCO creative cities, which identify creativity as a strategic factor for their sustainable urban development.

CASE STUDY:
## National Science and Innovation Centre

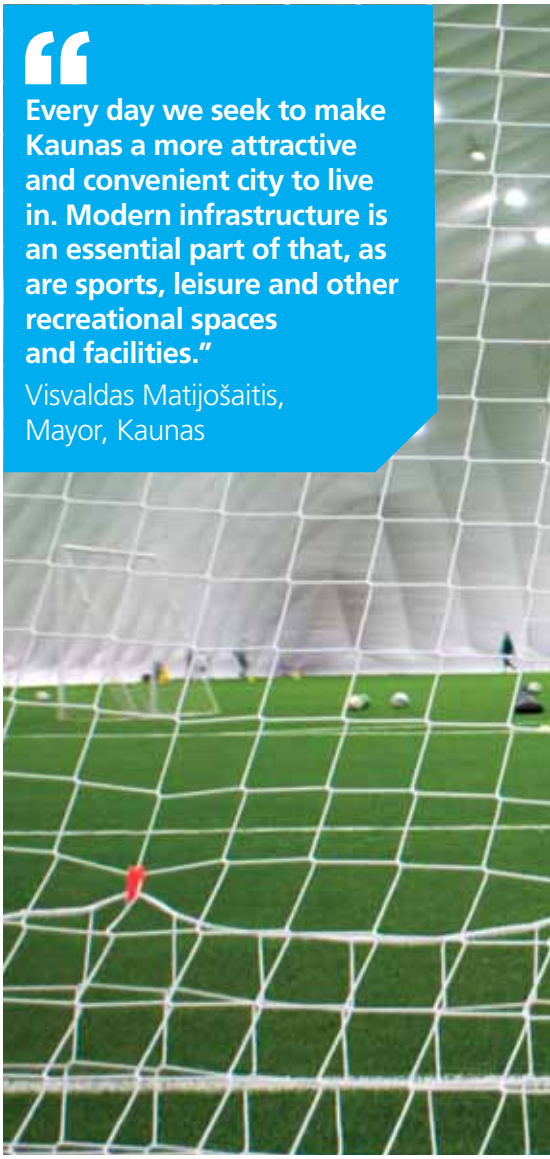
Nemunas Island is owned by Kaunas City Municipality and lies at the heart of Kaunas, in the Nemunas River. The 33 hectare island has traditionally been used by the city's residents and visitors as a space for walking, sports and entertainment. It's home to Žalgiris Arena, the largest sports and entertainment arena in the Baltic States, and is close to the historic Old Town, the culturally important Laisvės Avenue, and the Akropolis shopping centre.

A multi-million euro project, supported by the CEB, is underway to transform Nemunas Island into 'Science Island' – one of the Baltics' key knowledge and cultural hubs – with the creation of a new National Science and Innovation Centre. The facility aims to inspire an enduring relationship with science and innovation through hands-on activities and play and will open ready for Kaunas's role as European Capital of Culture in 2022.



**"Every day we seek to make Kaunas a more attractive and convenient city to live in. Modern infrastructure is an essential part of that, as are sports, leisure and other recreational spaces and facilities."**

Visvaldas Matijošaitis, Mayor, Kaunas



Kaunas is consistently ranked as Lithuania's best student city, and the availability of young, highly skilled specialists, along with exceptional connectivity (most of Lithuania's three million residents live less than an hour's drive away) has encouraged many innovative companies to set up within the city.

Kaunas does, however, have its challenges, which are mainly related to labour migration, inefficient public transport and an ongoing need to enhance public services.

## CEB support for Kaunas

The CEB is well-versed in financing municipal infrastructure projects and uses different financing methods, including direct lending to cities and municipal companies, and on-lending to commercial banks and specialist lending institutions, to provide the best options for beneficiaries.

PAGE 16 THE LATEST NEWS AND PUBLICATIONS FROM THE CEB



CASE STUDY:
**Sports facilities in Jovaru**

Jovaru is a community to the west of Kaunas. In previous years, there were no suitable facilities for sports training during the winter months. However, a project funded with support from the CEB, has seen the creation of an all-weather football pitch.

The project, which includes car parking, changing rooms and spectator facilities, has a 115m long, 80m wide, 21m high dome that covers the pitch and is decorated with the colours of the Kaunas City Municipality logo. This now means that over 500 children from the Kaunas Sports School, as well as members of private sports clubs, can now train and compete all-year-round.

**"Working with Kaunas is a rare city operation for the CEB in the Baltic States, and an opportunity to reach socially important investment sectors. Kaunas is a front-runner in Lithuania, showing that smaller cities can establish cooperation with International Financial Institutions and access long-term financing at favourable conditions."**

Diana Bertje, CEB Country Manager, Lithuania

Recently the Bank has approved two loans with Kaunas City Municipality to facilitate upgrades that will provide better access to education, health, sports, social and cultural services and facilities.

The first loan of €25 million was approved in January 2019. The second loan, of €25 million, was approved in January 2020. Projects that enhance central neighbourhoods, landmarks and sports facilities are being prioritised, and include supporting the new National Science and Innovation Centre, and sports facilities in Jovaru (see case studies).

## A cultural focus

In 2022 Kaunas will be European Capital of Culture. The Kaunas City Municipality therefore wants residents and visitors to be able to access high quality cultural and leisure activities across the city. The city's Mayor, Visvaldas Matijošaitis, says, "Every day we seek to make Kaunas a more attractive and convenient city to live in. Modern infrastructure is an essential part of that, as are sports, leisure and other recreational spaces and facilities.

"The CEB has provided funding with very favourable conditions, which contributes significantly to the implementation of the goals defined by the Kaunas strategic plans. We are glad to have been able to develop more projects which would have been impossible to realise without CEB support. Residents and visitors are already enjoying a new indoor football field, the Aleksotas viewing deck, and the reconstructed Kaukas Stairs."

# New CEB loan approvals

Some 22 new loans were approved by the CEB's Administrative Council in January and March, totalling nearly €1.83 billion.




## 1 Finland

**Loan size:** €10.3 million
**Borrower:** Pirkan Opiskelija-asunnot
**Aim:** To increase student housing in Tampere

**Loan size:** €50 million
**Borrower:** City of Kuopio
**Aim:** To finance municipal investments



in line with the City Strategy 2030
**Loan size:** €60 million
**Borrower:** City of Vantaa
**Aim:** To finance social infrastructure investments, including schools, health facilities and sports centres

## 2 France

**Loan size:** €150 million
**Borrower:** Nantes Métropole Mobilité
**Aim:** To fund public transport improvements

**Loan size:** €200 million
**Borrower:** Département de la Seine-Saint-Denis
**Aim:** To fund construction/renovation of lower secondary schools and related facilities

## 3 Germany

**Loan size:** €42 million
**Borrower:** Leipziger Wohnungs- und Baugesellschaft mbH
**Aim:** To increase supply of affordable and social housing in Leipzig

## 4 Hungary

**Loan size:** €50 million
**Borrower:** Eximbank
**Aim:** To strengthen competitiveness of exporting MSMEs



**Loan size:** €150 million
**Borrower:** Government of Hungary
**Aim:** To support expansion and improvement of education facilities

## 5 Ireland

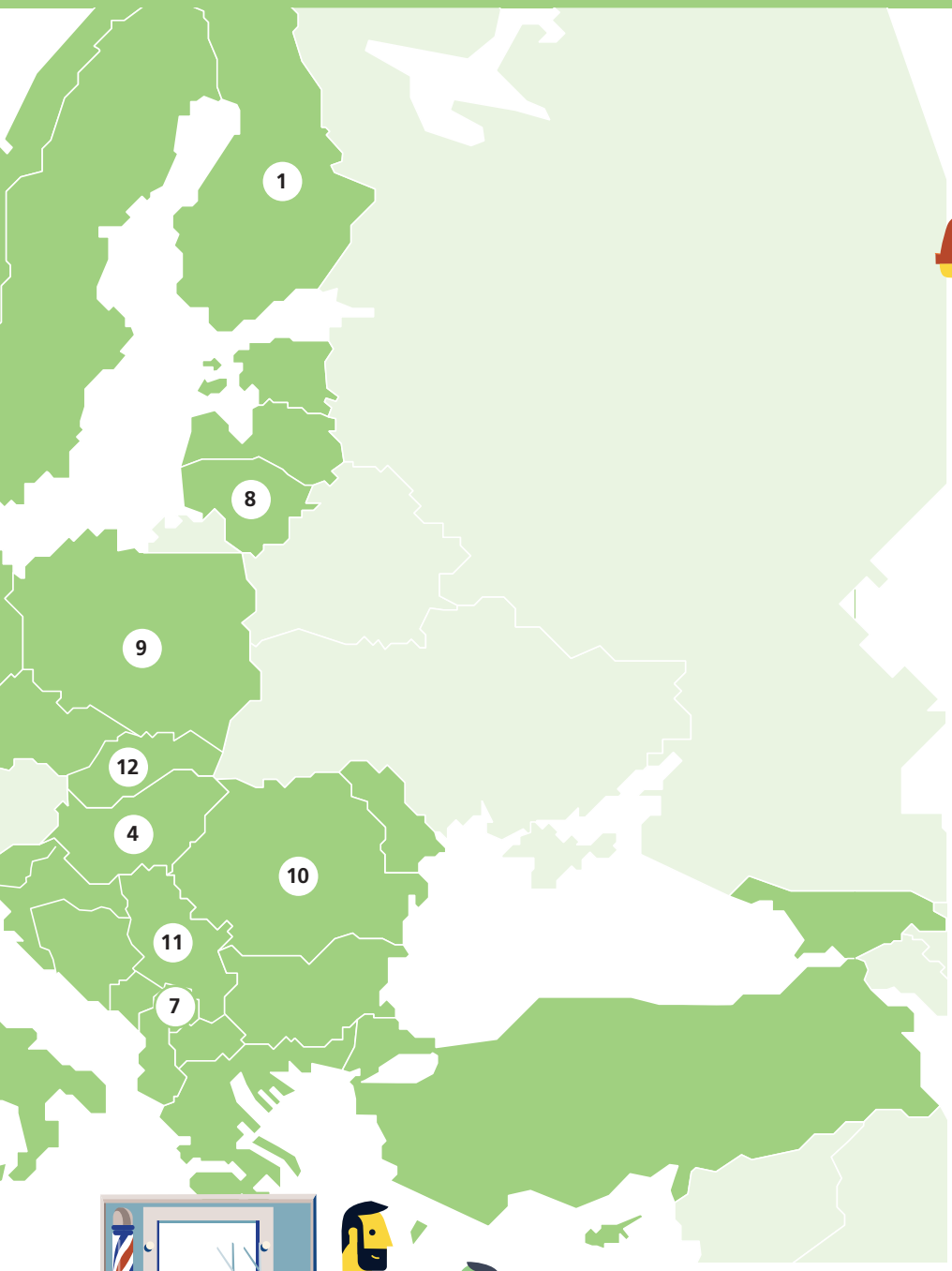
**Loan size:** €34 million
**Borrower:** Cork County Council
**Aim:** To finance regional development in nine town centres across County Cork

## 6 Italy

**Loan size:** €80 million
**Borrower:** IREN SpA
**Aim:** To fund water infrastructure improvements in Genoa and Parma

**Loan size:** €100 million
**Borrower:** Regione Lazio
**Aim:** To finance investments in health, social care and environmental protection

**Loan size:** €100 million
**Borrower:** Istituto per il Credito Sportivo
**Aim:** To fund local authorities' investments in sports facilities






## 10 Romania

**Loan size:** €47 million
**Borrower:** Sector 6 of the Municipality of Bucharest
**Aim:** To finance priority environmental and social investments

## 11 Serbia

**Loan size:** €30 million
**Borrower:** Erste Bank
**Aim:** To promote job creation and economic growth by supporting MSMEs

**Loan size:** €20 million
**Borrower:** Republic of Serbia
**Aim:** Reconstruction of museums and other cultural infrastructure

## 12 Slovak Republic

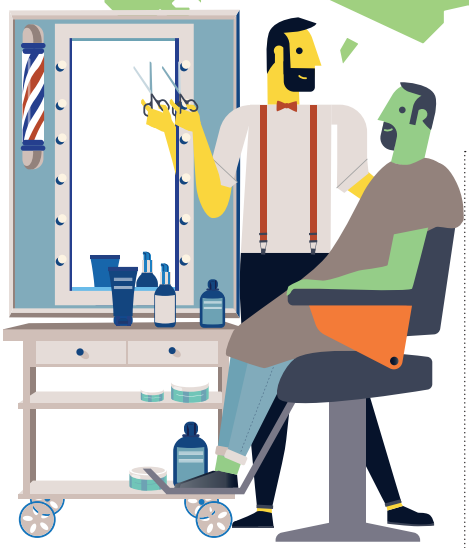
**Loan size:** €80 million
**Borrower:** Slovenská sporiteľňa, a.s.
**Aim:** To support MSMEs, modernise public infrastructure and bolster energy-efficiency/ environmental protection

**Loan size:** €300 million
**Borrower:** Slovak Republic
**Aim:** To ensure the availability of financial resources and structures necessary to cover the State budget's financial contributions to EU-funded projects

## 13 Spain

**Loan size:** €47 million
**Borrower:** Transports de Barcelona S.A.
**Aim:** To improve public transport in Barcelona





## 7 Kosovo

**Loan size:** €2 million
**Borrower:** FINCA Kosovo
**Aim:** To support MSMEs, with the partial financing of productive investments

## 8 Lithuania

**Loan size:** €25 million
**Borrower:** Kaunas City Municipality
**Aim:** To finance municipal infrastructure, including investments in transport, education and housing.

**Loan size:** €100 million
**Borrower:** Government of Lithuania
**Aim:** To finance the modernisation of public infrastructure

## 9 Poland

**Loan size:** €150 million
**Borrower:** Europejski Fundusz Leasingowy S.A.
**Aim:** To contribute to job creation by strengthening competitiveness of MSMEs

# News, events, and publications

## CEB launches Award for Social Cohesion

In late January the Bank launched an annual competition to acknowledge outstanding contributions to social cohesion across Europe. The CEB Award for Social Cohesion will award a €25,000 prize to a project that addresses pressing social issues in one of the CEB's 41 member countries.

The overarching theme of 'social cohesion' will be assessed on impact, sustainability and innovation/replicability. Submissions close 20 April, and the prize will be awarded at this year's CEB Joint Meeting in Dublin on 2 July.




## CEB pledges €100 million to Albania

The CEB has pledged more than €100 million in grant and loan financing for post-earthquake reconstruction efforts in Albania. The country was hit by a 6.4 Richter magnitude earthquake on 26 November 2019, which left 51 people dead, thousands injured, and severely damaged many towns and villages, as well as the capital Tirana.

## 2019 – a successful financial year

The CEB achieved and even exceeded its financial objectives in 2019. Some 46 new projects were approved for a total of €4.0 billion. The stock of projects attained a record level of €8.5 billion, a strong increase compared to 2018 (+8.0%), and loan disbursements amounted to €2.8 billion, slightly up on 2018. Its unaudited results show a net profit of €104.7 million in 2019, compared to €97.5 million in 2018 (+7.4%)..

The Bank's credit rating was upgraded to AAA, outlook stable by Standard & Poor's in February 2019, and its rating outlook was revised from "stable" to "positive" by Fitch Ratings, which also affirmed the Bank's AA+ rating in September 2019.




### GOVERNOR MEETS CEB PARTNERS IN GERMANY

In January, the CEB Governor, Rolf Wenzel, met with CEB partners in Potsdam and Leipzig to explore new ways of continuing cooperation with Germany. Mr Wenzel met with Mr Tillmann Stenger, Chief Executive Officer of Investitionsbank des Landes Brandenburg, and with the Managing Director of Leipziger Wohnungs- und Baugesellschaft (LWB), Ms Ute Schäfer.

A €150 million CEB loan is helping to fund social investments and create affordable rental accommodation in the State of Brandenburg. A €58 million CEB loan is creating more affordable housing in Leipzig, plus new crèches to support single parents and working mothers.

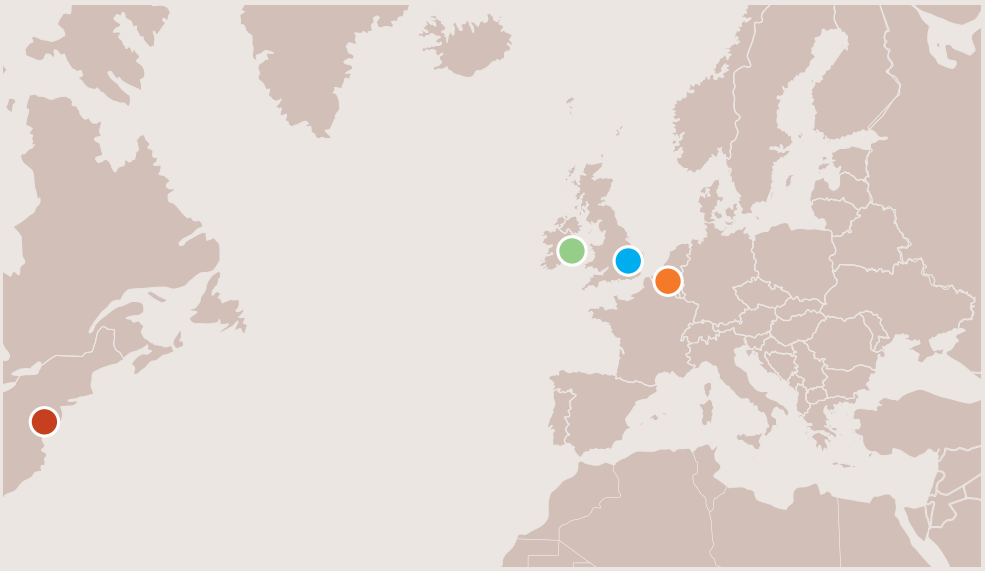
### ISSUING NEW BENCHMARKS

On 23 January the Bank successfully priced a new £300m long 7-year GBP benchmark due 22nd July 2027, which enables the CEB to extend its GBP curve by 5 years to 2027. The transaction was priced with an annual coupon of 0.750% and a re-offer price of 99.339%, equating to a re-offer yield of 0.840% (semi-annual).

The CEB has also issued a USD1bn no-grow 5-year global benchmark, the Bank's first USD benchmark transaction of 2020. The bond priced at CT5+6.70bps, the tightest US Treasury spread in this tenor from a non-Sovereign issuer in 2020. Some 90% of the bond was allocated to central banks, official institutions and high quality bank treasuries.

# What's on April-July 2020

Find out more about forthcoming meetings and conferences at the CEB and beyond. Please note that these may be affected by the COVID-19 outbreak.



**13-19 April**
**Washington DC, USA**

**Spring Meetings of the IMF and World Bank Group. (In a virtual format due to the COVID-19 outbreak.)**
The theme of this year's event is 'Strengthening the foundations for peaceful, sustainable and prosperous societies'.
**More at: https://www.worldbank.org/en/meetings/splash/spring**

**20 April**

**Closing date for applications for the CEB Social Cohesion Award**
**Apply online now at https://award.coebank.org/en/**

**9-10 June**
**Brussels, Belgium**

**European Development Days**
This year's event will be framed around two themes: 'A green economy for people and nature' and 'Protecting biodiversity and people'.
**More at: https://eudevdays.eu/**

**2 July**
**Dublin, Ireland**

**CEB Joint Meeting**
Members of the Bank's Governing Board, Administrative Council and senior management will meet for the annual Joint Meeting of the CEB. As part of the meeting, the Administrative Council will approve new investment projects.
**More at: https://coebank.org/en/about/structure-management/**

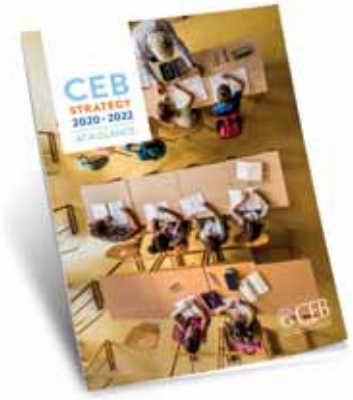
# Read our latest publications

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

LOOK OUT FOR THE NEXT ISSUE OF Info OUT IN JUNE 2020

## CEB STRATEGY 2020-2022

This at-a-glance guide provides a quick overview of the CEB's strategy for the medium term.




## CEB DEVELOPMENT PLAN 2020-2222

The Bank's full strategy for strengthening social cohesion and building more inclusive and sustainable societies in member states.




## CREDIT CONSTRAINTS, REGIONAL INSTITUTIONS AND THE ECONOMIC PERFORMANCE OF MSMES

An analysis of the relationship between credit constraints, institutional quality and firm-level economic performance in different European regions.



# Innovating for cities and regions

The CEB is always exploring new ways to support cities and regions to grow and thrive in an inclusive and sustainable way. These range from providing technical support to help municipalities to prepare and implement projects, to offering flexible financing solutions that enable subnational governments to access cost-effective and timely funding.

CEB technical teams support municipalities to build monitoring capacity and measure the social impact of their investments. These are vital pre-conditions if the cities and regions wish to mobilise further financial resources.

The CEB has developed flexible financial instruments to enable cities and regions to implement multi-dimensional and multi-annual strategies and plans. These include direct lending and co-funding, and use of a public sector finance facility (PFF) to cover temporary financing gaps.



The CEB has co-funded a landmark urban renewal project in the city of Łódź, Poland. The signature project was the transformation of a former power plant into a cutting-edge cultural and education centre.
La CEB a cofinancé un projet historique de rénovation urbaine dans la ville de Łódź, en Pologne. Le projet phare a été la transformation d'une ancienne centrale électrique en un centre culturel et éducatif de pointe.

# Innover pour les villes et les régions

La CEB explore en permanence de nouveaux moyens de soutenir les villes et les régions pour qu'elles puissent se développer et prospérer de manière inclusive et durable. Ces moyens vont du soutien technique destiné à aider les municipalités à préparer et mettre en oeuvre des projets, à l'offre de solutions de financement flexibles qui permettent aux autorités infranationales d'accéder à des financements rentables et en temps utile.

Les équipes techniques de la CEB aident lesmunicipalités à renforcer leurs capacités de suivi et à mesurer l'impact social de leurs investissements. Il s'agit là de conditions préalables essentielles si les villes et les régions souhaitent mobiliser des ressources financières supplémentaires.

La CEB a développé des instruments financiers flexibles pour permettre aux villes et aux régions de mettre en oeuvre des stratégies et des plans multidimensionnels et pluriannuels. Ces instruments comprennent des prêts directs et des cofinancements, ainsi que l'utilisation d'une Facilité de financement du secteur public (PFF) pour couvrir les déficits de financement temporaires.

## Find out more
## En savoir plus

Download our Technical Brief 'Promoting Inclusive Growth in Cities'
Téléchargez notre fiche technique «Promouvoir une croissance inclusive dans les villes» à l'adresse




https://coebank.org/media/documents/Technical_Brief_4_Promoting_Inclusive_Growth_in_Cities.pdf