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

Acknowledgements

This technical brief was prepared by Sara de Pablos and Kristina Maslauskaite (CEB Technical Assessment & Monitoring Directorate, TAM) with contributions by Elisa Muzzini, Yael Duthilleul and Alice Bordreuil. The work was overseen by Monica Scatasta (Director of TAM). Comments from the Loans & Social Development Directorate and the Office of Evaluation are kindly acknowledged.
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Executive Summary

Growing social inequalities and chronic underinvestment in public infrastructure reinforce each other in increasing the vulnerability of European societies and economies to unexpected shocks. The Covid-19 crisis has clearly shown that the impacts of these two issues, combined with climate change and environmental degradation, are weakening the capacity of European economies to “bounce back better” from present and future crises in a sustainable and inclusive way, thus reducing the overall resilience of our societies.

Bridging critical social infrastructure gaps to ensure equitable access to high-quality and affordable essential services for all remains one of the most effective ways to promote social cohesion and social integration in Europe. In its 2020-2022 Development Plan, the Council of Europe Development Bank (CEB) reaffirmed its vocation as Europe’s social development bank and its commitment to support its member countries in promoting social cohesion and social integration, while further mainstreaming climate change and environmental sustainability across all its activities.

This technical brief illustrates the CEB’s experience in investing in high-impact social infrastructure that can simultaneously contribute to social inclusion and integration, economic development and environmental sustainability, including climate action. In particular, it focuses on CEB-financed operations that:

- Help address critical gaps in Europe’s social infrastructure needs, with a special focus on meeting the needs of vulnerable groups.
- Include energy efficiency in the renovation and expansion of Europe’s ageing building stock - with a focus on social housing and vulnerable groups, generating environmental sustainability benefits, local job opportunities, energy savings and positive impacts on social inequalities.
- Address the sizeable investment needs in the water sector and their unique potential to generate multiple benefits and to enhance the resilience of communities and ecosystems.
- Showcase the need to explicitly mainstream inclusiveness, environmental sustainability and climate change considerations in all social infrastructure investments, often requiring a focus beyond physical infrastructure in project design and implementation. These efforts can enhance the resilience of social infrastructure to exogenous shocks, its contribution as part of crisis response systems, and its capacity to provide quality services and generate social impacts.
- Support subnational authorities – from the early stages of project planning to the implementation of individual projects – in their efforts to enhance resilience by addressing social, economic and environmental objectives based on an integrated territorial approach.

The CEB is the only development bank in Europe with an exclusively social mandate, combined with a reinforced commitment to support environmental sustainability and to align with the goals and principles of the Paris Agreement, in line with its 2020-2022 Development Plan. Having accumulated significant experience in social infrastructure investment over the last decades, the CEB leverages its know-how and financial instruments in order to contribute to economic development pathways that enhance social cohesion and integration, while also ensuring environmental sustainability and resilience to a broad spectrum of risks.
1. Introduction

Growing socio-economic inequalities, continued environmental degradation and climate change constitute a threat to Europe’s economic development and social progress. The European Union has been on a relatively steady GDP growth path over the past half century despite various financial and economic crises. This has however been accompanied by widening income inequalities and a persistent lack of access to quality public services by vulnerable populations, compounded by continued environmental degradation and increasing greenhouse gas emissions. These long-term trends have made European economies less capable of managing unforeseen shocks and less resilient to their consequences. The Covid-19 pandemic has further exposed these weaknesses, showing the importance of refocusing the European development model around human wellbeing, health, social inclusion and support to vulnerable populations – all the while respecting our planetary boundaries (Steffen at all, 2015).

The efforts to recover from the 2020 crisis provide a unique opportunity to build more sustainable, resilient and inclusive European economies and societies. On 21 July 2020, European Leaders approved the €750 billion Next Generation EU recovery package to help EU countries, particularly the hardest hit among them, tackle the crisis caused by the pandemic. In parallel, EU member states agreed to a €1,074.3 billion EU budget for 2021-2027. This financing is intended to support the resilience of EU member states’ economies, with a view to “reforming our economies, remodelling our societies” (Charles Michel, President of the European Council) while mainstreaming climate change considerations into all investments. Getting today’s investment choices right is crucial as they will determine the path our economies take to achieve economic recovery in the coming critical decade, while striving to bridge socio-economic inequalities and addressing climate change and its most dramatic consequences.

The CEB’s track-record illustrates how social infrastructure investments can simultaneously address social, environmental and economic objectives. The CEB’s experience shows that social, economic and environmental objectives are not only compatible, but can in fact be mutually reinforcing. If properly designed and implemented, social infrastructure can play an important role in supporting an inclusive transition towards a robust, resilient and sustainable economic recovery.

This technical brief shows how the CEB has risen to this challenge while meeting urgent social infrastructure needs in its core sectors. Through its action, the CEB strives to achieve the highest possible impacts in terms of social inclusion, with a focus on vulnerable groups (3.1) while also mainstreaming inclusiveness, resilience and environmental sustainability, including climate change, so as to strengthen the overall positive impacts of all its operations. The brief evidences the positive interaction of this mainstreaming through a non-exhaustive selection of social investment projects that address social inequalities while simultaneously contributing to environmental sustainability and climate change-related goals in different areas, notably: energy efficiency in buildings (3.2), water and waste water management (3.3) and the education sector (3.4). The brief closes by highlighting the significant role played by subnational authorities in developing integrated strategies and investment programmes and the increasing centrality of that role in the Bank’s activities (3.5).
2. Mutually reinforcing threats to social cohesion in Europe

2.1 Rising inequalities threaten social cohesion and well-being

Despite decades of economic growth and policies to reduce inequalities, European citizens still consider this issue as one of the main challenges in the EU (European Commission, 2017a). Between 1980 and 2017, households in the top 1% income bracket captured 17% of Europe’s economic growth, compared to 15% for the bottom 50%. While the average incomes of 80% of Europeans grew by about 20-50%, the growth rate exceeded 100% for the top 1% of the population and reached 200% for the wealthiest European citizens in the top 0.001% income bracket (Blanchet et al. 2019). Even though reducing income equality has been declared a policy objective by all European countries in the context of the SDGs, “overall stagnation in income inequalities between different groups of society” has been observed in the EU (Eurostat, 2020a) and an increasing number of households have become more vulnerable to the economic consequences of adverse events. Approximately one third of such households, and over 50% in countries such as Latvia, Greece, Slovenia and Poland, are at risk of falling into poverty just three months after a sudden loss of income such as that faced by many following Covid-19 related lockdowns (OECD, 2020). Social vulnerabilities are also affected by the increasing incidence of low-quality jobs, which represent one fifth of all jobs in Europe. Temporary workers are at the highest risk of poverty as they tend to be the first to get laid off in a crisis and have limited access to social protection or personal savings (Tobsch and Eichhorst, 2017).

The Covid-19 crisis has revealed the impacts of social inequalities on health outcomes. Research shows that more equitable societies have better quality of life and health outcomes, e.g. in terms of life expectancy, infant mortality rates, mental health or obesity (Forster et al., 2018). As regards Covid-19, an increasing body of research suggests that people from disadvantaged backgrounds are more heavily affected by the pandemic and its consequences (Rose et al., 2020). For instance, the Department of Seine-Saint-Denis in the northeast area of Greater Paris is one of France’s poorest areas and experienced the highest Covid-19-related excess mortality rates in continental France during the first wave of the pandemic (Observatoire Régional de Santé, 2020). Moreover, during a pandemic, many low-skilled workers may be more exposed to contagion when they occupy “high contact” essential jobs (e.g. cashiers, ambulatory, cleaning and domestic help services) or need to commute over long distances.

Poverty and inequalities are likely to increase further in all European countries following the Covid-19 crisis, worsening Europe’s vulnerability to other shocks. Europe’s economy is expected to shrink by between 8 and 9% in 2020. As was the case in previous economic downturns (Dorn et al. 2020, Furceri et al. 2020, Lustig and Mariscal 2020), this could heavily impact poverty and inequalities for decades to come in the absence of any compensating actions (Palomino et al., 2020). The fragility of our economies and societies would then increase vis-à-vis adverse events and trends, such as the acceleration of climate change and the worsening of its impacts.

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1 The quality of jobs is defined in terms of skills usage, salaries and job prospects and low-quality jobs are typically occupied by young people and workers with lower education levels, often on temporary contracts (Parent-Thirion et al., 2019).

2 Summer 2020 Economic Forecast European Commission.
2.2 Under-investment in social infrastructure is a structural challenge

**Infrastructure investment plays a critical part in stimulating economic development.** Investing in infrastructure has positive economic benefits. In the short term it boosts employment and aggregate demand. In the long term it helps increase productivity, leads to more sustained growth and fosters income equality. High quality infrastructure has positive spillovers on society and on economic activities, attracting trade, business and tourism\(^3\).

**Quality social infrastructure can have a positive impact on social cohesion** by ensuring equal access to good quality, affordable basic services for all – also a key element to enhancing people’s productivity. Quality infrastructure should, among other things, be designed, implemented and operated to be environmentally sustainable and resilient to a broad set of risks.

**Underinvestment in social infrastructure has been persistent over the last 15 years.** As a share of GDP, public investment had not recovered to pre-2008 crisis levels when the pandemic hit, despite low borrowing costs in many European countries (Eurostat 2020). The High-Level Task Force on Investing in Social Infrastructure in Europe highlighted the fact that infrastructure investments in 2016 were 20% below the level experienced in 2007 and social infrastructure has lagged even more behind traditional infrastructure investments, with a variance across regions. One reason is that this type of infrastructure is often the responsibility of local authorities, which have faced specific budget constraints and limited access to financial markets.

**Today, Europe faces a significant infrastructure investment gap,** with estimated financing needs between 2016 and 2030 that could top US$ 16 trillion. An annual investment of €688 billion is needed for energy, transport, water and sanitation, and telecoms alone (McKinsey 2016; European Parliament, 2018). For social housing, health and education, the High-Level Task Force on Investing in Social Infrastructure in Europe estimated an annual social infrastructure investment gap of €100 - 150 billion (Fransen et al., 2018).

**Underinvestment in social infrastructure hinders the development of human capital, the engine of economic growth, and weakens societies’ resilience to future shocks.** The Covid-19 crisis has clearly exposed the critical vulnerabilities of health, education and other social sectors in many affected countries, which have also resulted from protracted underinvestment. The capacity of existing infrastructure to provide services in the wake of the pandemic has been severely strained, particularly in the health sector. Some of the countries that have been hardest hit by the pandemic exhibit a lower accumulation of health capital stock compared to EU averages, as well as sharper declines and lower recovery rates in health sector investment over the last 10 years (OECD, 2018). Two important elements determine the resilience of healthcare systems to an emergency: (i) a focus on public and preventive health measures to reduce contagion and (ii) the capacity of primary care systems to function as an effective buffer preventing hospital care systems, particularly intensive care units, from being over-run by patients. In many EU countries, these areas were neglected compared to investments in hospitals, with some of the hardest hit areas exhibiting lower than average numbers of general practitioner doctors and nurses.\(^4\) Almost all countries also identified weaknesses in their elderly and special care services. Schools were also unable to ensure adequate services for all during lockdown due to the lack of equipment and teacher training and had difficulties meeting demands for in-person teaching after the lockdown. Social distancing and other public health requirements have also strained the capacity of public transport to serve its users.

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\(^3\) High Level Task Force on Investing Social Infrastructure in Europe, (2018).

After decades of decline or stagnation, the importance of investing in infrastructure – and social infrastructure in particular – has been reaffirmed. Innovative solutions are also being tested for the provision of public services, e.g. in education or public transport. Their effectiveness and replicability will need to be monitored. Member countries and local authorities will need continued financial and advisory support from public financial institutions such as the CEB. These issues are explored in section 3.

2.3 Climate change and environmental degradation aggravate inequalities and vulnerability

Climate change and broader environmental degradation severely affect social development indicators and can be damaging to key economic sectors in Europe. The WHO estimates that a temperature increase of 1°C above a city threshold level would increase resident mortality by 2% and 3% in Europe’s northern and southern cities respectively. In addition to climate-related impacts, Europeans die prematurely each year due to air pollution (European Court of Auditors, 2018). According to the EEA, disasters caused by weather and climate related extremes in Europe generated losses estimated at around € 426 billion between 1980 and 2017. Extreme events are expected to increase in intensity and frequency, and damages to critical infrastructure in Europe could triple in the coming years and multiply over ten-fold by the end of the century (Forzieri, 2016).

Human health is severely affected by environmental degradation, with important human and socio-economic consequences. The Covid-19 pandemic, with over 38 million people infected worldwide and over one million deaths by mid-October 2020, illustrates how the environmental effects of human activities can have unforeseen and devastating consequences for human health. The emergence of 70% of new infectious diseases in recent decades, including the current one, has been facilitated by biodiversity loss, destruction of natural habitats by human activities and the unregulated or unlawful handling of wild species. Furthermore, the morbidity/mortality of the Covid-19 virus seems to be influenced by environmental conditions, notably air pollution.6

The European Union is still committed to the transition to a decarbonised, environmentally sustainable and inclusive future. The EU has expressed its ambition to lead the global fight against climate change and “make Europe the first climate-neutral continent on the planet by 2050” (European Commission 2019a). To this end, the EU is committed to reaching at least a 40% reduction in greenhouse gas emissions by 2030 (from 1990 levels). The European Green Deal, approved in 2019, takes a broader perspective to the green transition aiming “to make the EU’s economy more sustainable, by turning climate and environmental challenges into opportunities and making the transition just and inclusive for all”. To this end, the Just Transition Mechanism was set up to help those that are most affected by the green transition and ensure that “no person and no place is left behind”. In fact, many more jobs are at risk in the wake of the COVID-19 crisis and even more livelihoods may be threatened by the impacts of climate change. It is therefore important to identify measures that can simultaneously achieve sustained job creation and economic development that is both greener and more just.

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6 A Harvard University study found that an increase of 1 μg/m3 in long-term average exposure to fine particulate matter pollution, (PM2.5) is associated with an 8% increase in the Covid-19 death rate (Wu et al. 2020). During 1st Covid-19 wave in Europe, 78% of the deaths across 66 administrative regions in Italy, Spain, France and Germany occurred in their five most polluted regions (Ogen, 2020).
7 new targets were proposed by the Commission in September 2020, 55% reduction in GHG emissions by 2030.
The investment needs for tackling the transition to green, just development in Europe, are substantial and the financial means are still being negotiated. The average additional investment (public and private) needed each year to achieve the EU’s current 2030 climate and energy targets, which are being revised upwards, range from €175 to €290 billion (Clayes and Tagliapietra, 2020). The European Commission estimates that to address environmental protection and natural resources management, there is an additional annual investment gap of between €100 and €150 billion. The European Green Deal intends to mobilise at least €1 trillion in sustainable investments over the next decade to facilitate the public and private investments needed for the transition to a climate neutral, green, competitive and inclusive economy. While the Covid-19 crisis has not called these overarching goals into question, at the time of finalising this report (Oct.2020), the funding available for the different objectives and its governance are not yet known.

In line with Europe’s goals, the CEB’s 2020-2022 Development Plan focuses on three strategic lines of action: promoting inclusive growth, supporting vulnerable populations and safeguarding environmental sustainability in all its projects while also placing emphasis on their “green” components. Indeed, the CEB has increased its provision of climate finance over time and is aligning its activities with the 2015 Paris Agreement on Climate Change (Box 1).

Box 1: Climate action at the CEB

The Bank is committed to progressively aligning its project portfolio with the 2015 Paris Agreement on Climate Change and to improving the tracking of green and climate action finance. As part of these efforts, the CEB’s technical staff already reviews the climate change-related aspects of all financed operations (including their absolute and relative GHG emissions, contribution to mitigation, vulnerability to climate-related risks and adaptation potential), for the purpose of identifying early on the climate-related risks and impacts of and for these operations, possible ways to reduce these as well as their climate action components, with a view to addressing potential misalignments. The CEB is further developing its Paris Alignment approach, taking into consideration the experience of other MDBs and IDFC members.

From 2017 to 2019, the CEB tripled its climate action finance, to reach a new high of €1,037 million in 2019, representing roughly one fourth of the total loan amount approved in 2019. While the majority (68%) was dedicated to mitigation activities, mainly energy efficiency leading to substantial GHG emission reductions, the 32% share of climate adaptation finance is one of the highest among MDBs. This shows both the potential for and the importance of adaptation investment in the social sectors that constitute the CEB’s main focus. Financing of adaptation activities strongly increased in 2019 following the approval of several projects aimed at reducing water-related vulnerability to climate change (for more information, see the Council of Europe Development Bank (2020)).

In 2020, the CEB set up a new facility to strengthen the social impact of CEB investments and reinforce their environmental sustainability. This “Green Social Investment Fund” (GSIF), aims to increase the affordability of climate action measures for vulnerable groups.

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3. Investing in inclusive, resilient and sustainable social infrastructure: the CEB’s experience

This section discusses a selection of social infrastructure investments that address social vulnerabilities and economic development while also ensuring environmental sustainability. The lessons learned and proposals discussed below are based on the CEB’s experience.

3.1 Investing in social infrastructure for human well-being and the protection of vulnerable groups

The CEB recognises social investment as the engine of growth and social inclusion. Social infrastructure has represented over 80% of the CEB’s portfolio over the last 10 years, with the remainder being channelled through financial intermediaries for MSMEs supporting employment creation. Most of the social infrastructure portfolio is composed of direct lending, with a little over 30% being represented by intermediated lending that also targets smaller subnational authorities or other subnational clients (e.g. social housing developers) as an aggregator to scale up support for smaller social infrastructure investments. From a sector standpoint, the main focus of the CEB’s portfolio is on health, education, and social housing for low-income people, with other sizeable shares in the water sector as well as multisector investment with sub-sovereign counterparts, mainly municipalities.

A specific added value element of the CEB’s activities derives from the focus of the projects it finances, or components thereof, on services or other types of support for vulnerable groups. In the health sector, for instance, the CEB is looking to expand its financing of primary health care, based on a number of successful examples. One is the co-financing of the development of primary health care facilities in Bosnia and Herzegovina, which included the rehabilitation of the facilities, medical and IT equipment for family medicine facilities as well as training programmes for doctors and nurses specialising in family medicine. This programme is also expected to provide important social benefits for women and girls and therefore support gender equality objectives. The project was part of the “Health System Enhancement Program” (HSEP), elaborated by the Government of the Federation of Bosnia and Herzegovina and Republika Srpska with support from the World Bank, the CEB and local governments. The CEB funding involved two loans approved in 2005 (US$ 14 million) and in 2011 (€ 9.2 million) and was co-financed by the World Bank.

The CEB focuses on vulnerable populations in all the investment areas discussed in this report, and some of its projects are entirely earmarked for vulnerable populations. For instance, the CEB is financing the provision of social housing units for at least 7 200 Internally Displaced persons still living in collective centres and alternative accommodation throughout Bosnia and Herzegovina (BiH). Such centres mainly accommodate the most vulnerable internally displaced people, who cannot return to their places of origin due to serious social or medical concerns. In addition to suitable accommodation, the project also provides basic household equipment to beneficiaries that cannot afford it, as well as education, vocational training and start-up kits for livelihood opportunities. Another example of the CEB’s focus on vulnerable populations is its support for a number of operations in France that improve emergency accommodation for asylum seekers, migrants and other vulnerable people throughout the country. In addition to significantly increasing the number and quality of available accommodation units, these operations support reinsertion in the community by providing access to health, educational and social services.

10Social infrastructure as defined in this brief, not circumscribed by different sectors of activity, but defined as any public infrastructure with significant social benefits.
One of the CEB’s core commitments is to support its member countries facing emergency situations. The CEB fulfilled this commitment in the wake of the Covid-19 pandemic through its flexible and rapid support for soaring emergency expenditure in Europe. Countries focused on emergency needs to reduce the fallout from the pandemic, pledging significant amounts of public funding mainly to increasing the stocks of protective equipment, acquiring medical equipment for hospitals, and supporting the working capital needs of MSMEs. This included some infrastructure investment for the transformation of hospitals and clinics so as to create specific Covid-19 isolation wards. Following requests from 15 member countries for urgent financial support to face the Covid-19 crisis, the Bank strived to provide a timely, flexible and targeted response. To be able to do so, the CEB successfully issued two Covid-19 Response Social Inclusion Bonds, the first in April 2020, with the proceeds earmarked for such support. The Bank streamlined its processes to be able to provide the requested support in a timely and flexible manner, in less than ideal conditions due to the imposed lockdown. This fast reaction and adaptation by the CEB and its services lead to the processing and approval of 21 new loans totalling over € 3.1 billion as of 30 September 2020, representing 75% of the CEB’s average yearly approvals in the last 5 years.

Looking beyond the emergency, the CEB’s mandate and experience position it as a key partner for national and subnational actors in resuming infrastructure investment levels that are compatible with inclusive and sustainable growth. The next sections focus on a subset of investment areas that are especially promising in simultaneously pursuing social inclusion and environmental sustainability objectives.

3.2 Promoting energy efficiency in buildings, with a focus on vulnerable groups

The energy efficiency renovation of buildings can lead to significant reductions in greenhouse gas emissions and provides vast investment opportunities in Europe. Residential buildings represent two thirds of all energy consumption in Europe and account for 36% of all CO₂ emissions. Today, 75% of the building stock is still energy inefficient. Renovating existing buildings could both reduce the EU’s total energy consumption and lower carbon dioxide emissions by about 5%. Yet, on average, less than 1% of the national building stock is renovated each year (European Commission, 2020). Investment needs in this area are estimated at € 243 billion/year until 2050, of which € 179 billion for residential buildings alone (BPIE 2020). Investment in this sector can generate multiple social, economic and environmental benefits. The poor quality of buildings is an especially acute concern in many Central and Eastern European countries, where a large proportion of multifamily residential housing was built in the Soviet era using low-quality materials (Csoknyai et al., 2016).

Energy efficiency improvements may reduce energy poverty and positively affect household income. Low energy efficiency in residential buildings translates into higher energy bills. Lower-income households are particularly affected as they tend to live in non-refurbished dwellings and cannot afford more efficient appliances (Ugarte et al., 2016; Bouzarovski, 2014). Evidence shows that 50 million households in the EU are unable to afford to keep their homes warm (European Commission, 2020).

Renovations of residential buildings can positively impact health and overall quality of life. Poor building quality has a direct impact on the inhabitants’ quality of life, which may be negatively impacted by room temperatures, noise levels, humidity and ventilation, among other factors. Inefficient heating and ventilation systems in residential buildings are also associated with negative impacts on health, including increased numbers of winter deaths, respiratory and cardiovascular conditions, rheumatism, arthritis and allergies as well as detrimental effects on mental health (IEA, 2014; BPIE, 2016). Evidence shows that 84 million Europeans live in damp or mouldy dwellings, with 2.2 million
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people suffering from asthma as a direct consequence (Fraunhofer IBP, 2016). Estimated avoidable healthcare costs linked to energy inefficient dwellings in France are estimated at €930 million/year, while indirect costs owing to lost working days and lower worker productivity could add up to as much as €20 billion/year (BPIE 2020).

**Investing in building renovation that includes energy efficiency retrofitting can also produce sizeable economic impacts and substantially affect employment generation.** Over 11 million people are directly employed in the building sector in Europe, accounting for 7% of GDP. A recent study estimates that in Europe an average of 18 local and long-term jobs are created for every €1 million invested in the energy renovation of buildings (Renovate Europe, 2020). Specialised construction activities related to building renovation are typically carried out by small and medium sized enterprises (SMEs) at regional or local level, which provide employment opportunities and skills upgrades to resident communities (Saheb et al., 2015).

Box 2 presents a programme that is expected to generate significant benefits at national level.

**Box 2: Large-scale energy efficiency renovation of residential buildings in Bulgaria**

In 2015, the CEB approved a €150 million loan to the Bulgarian Development Bank AD (BDB) to partially finance the National Programme for Energy Efficiency of Multifamily Buildings, launched by the Bulgarian Government the same year and co-financed by KfW. The programme is still ongoing. Due to its success, the €500 million programme was extended to support investment for around €929 million. The programme’s objective is the energy efficiency rehabilitation of large residential buildings with high energy losses. It provides a 100% government grant to home-owner associations with municipalities acting as implementing agencies. The Ministry of Regional Development and Public Work established this as a demonstration programme, to prove that the energy efficiency renovation of residential buildings in Bulgaria had a positive impact on the quality of life of the owners, the esthetics of the buildings and on property values. The Government also intended to sustain the country’s economic activity, particularly in the construction sector. The programme therefore supported the involvement of local micro, small and medium enterprises (MSMEs).

The project is expected to have a significant climate change mitigation impact, with a total estimated emission reduction of around 300 000 tCO₂/year, and to benefit in priority low-income and elderly population groups, mostly living on the outskirts of Bulgaria’s largest cities. In surveys undertaken by the Ministry on already completed subprojects, 80% of beneficiary households have already reported an average 20% reduction in their utility bill, while 60% reported a significant decrease in their bills and thus an increase in their available income (2018 data from the CEB’s monitoring mission). Furthermore, in 2018 the Ministry estimated that the programme had had a significant impact on employment in the MSME sector, generating an estimated 2% increase in activity in the construction sector in 2017 with a positive impact on workers’ salaries, taxes collected and national GDP. Further data should be available on completion of the programme.
National governments and international financial institutions such as the CEB can play an important role in overcoming the investment barriers that limit investment in energy efficiency. Indeed, the EU’s 2050 long-term strategy proposes to enshrine the 2050 climate neutrality target into the EU legal framework and building renovation rates need to accelerate everywhere, particularly in Central, Eastern and South-Eastern Europe, including many Western Balkans countries (de Pablos, 2019). As Europe’s social development bank, the CEB has financed energy efficiency investments that support vulnerable groups with the goal to maximise social impacts while reducing GHG emissions and unlocking economic growth. Two such operations are presented below.

Box 3 highlights efforts made to specifically target energy efficiency renovations of social housing.

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**Box 3: Energy efficiency investment benefiting vulnerable populations – targeting social housing in Wallonia**

The CEB provided two loans, the latest approved in 2017, for a total of €210 million to the Société Wallonne du Logement in Belgium to co-finance a €450 million programme for the energy efficiency renovation of its old and partly degraded social housing stock, most of which did not have any insulation or ventilation and had inefficient heating systems. Tenants of energy inefficient social housing sometimes spend more on heating than on rent. The programme was approved in 2010 and is still ongoing, although the works financed by the first CEB loan have now been completed and results have been obtained for the subprojects completed. It covers the renovation of the most energy intensive buildings in the social housing stock in Wallonia, selected on the basis of thorough and transparent preselection criteria based on energy audits, minimum levels of primary energy reduction targets and expected cost-efficiency ratios applicable to such energy reduction. A minimum of 60% of the total cost of renovations is directed to energy efficiency measures, while the remaining funds can be allocated to other measures, notably fire and electrical safety and the improvement of basic sanitary facilities.

Besides significant GHG emission reductions (estimated at 28,000 tCO₂/year), the completed subprojects visited by the CEB during monitoring appear to have generated substantial social benefits. The significant reduction in heating costs increased the available income of vulnerable populations and the renovation of entire neighbourhoods had important co-benefits for the communities and for their acceptance by the surrounding population. On completion, the programme will directly benefit around 4,000 vulnerable households, of which 30% are headed by single parents, 15% live under the poverty line and 78% are dependent on social benefits.

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Box 4 showcases solutions to overcome one of the key barriers to energy efficiency investment for vulnerable groups, namely access to credit.

The CEB supports microfinance institutions (MFIs) with the objective of supporting the most vulnerable populations and, more generally, inclusive growth. MFIs can help families and entrepreneurs who do not have access to traditional sources of financing. One barrier for investing in energy efficiency for low-income households or small companies without access to credit is the high upfront cost. To address these barriers, the CEB has included the objective of environmental sustainability in a microfinance operation in Bosnia and Herzegovina. The CEB provided a €2.5 million loan in 2018 to an MFI with the specific goal to finance energy efficiency investments by low-income households and micro and small enterprises wishing to undertake small-scale energy efficiency investments (up to €5 500) in their dwellings or premises. In addition, the CEB’s partner institution supports and advises its clients in selecting the most efficient energy efficiency investment for their specific needs and conditions by means of a tool developed through the Green for Growth Fund Southeast Europe, which also calculates expected energy savings and GHG emission reduction, thus greatly enhancing the capacity of MFIs to meet the reporting requirements of the CEB and other MDBs. This project is still ongoing and the final results are not yet available.

The identification of climate action components early on in project planning and design is critical to achieving expected long-term social and environmental benefits. During appraisal, the CEB also assesses other ‘green’ aspects of the investments its finances, including for intermediated finance instruments.

3.3 Investing in the water sector to generate multiple societal and environmental benefits

Access to clean water and sanitation for all is essential for public health and socioeconomic development, particularly for vulnerable populations, as highlighted by its inclusion in the European Pillar of Social Rights. Access to indoor sanitation facilities is key in the prevention of transmittable diseases. The availability and quality of water resources is crucial for most economic activities and is threatened by insufficient investment in depollution, poor water resources management and by climate change. The degradation of water resources also poses a significant threat to ecosystems and biodiversity in Europe’s water bodies.

Despite its recognised benefits, universal access has not yet been reached in Europe. In the past decades, European countries have invested significantly in this sector and many have achieved near universal access (Eurostat 2020c). However, almost 2% of all EU citizens still have no access to a bathroom or indoor flush toilet. In Lithuania, Latvia and Bulgaria this proportion stands at around 9%, while in Romania it reaches over 26% (Eurostat, 2018). Even in the largest European economies, exposure to unsafe water and poor access to sanitation and hygiene still cause deaths\(^\text{12}\).

\(^\text{12}\)WHO, (2019) estimated them at 480 in Germany, 172 in France and 82 in Italy in 2016.
Some segments of Europe’s most vulnerable populations are particularly affected by lack of access to adequate and affordable water and wastewater services. Lower-income European households are three times more likely to live without basic sanitation facilities (Eurostat, 2020b). One third of the 10 million Roma people residing in Europe, including 6 million within the EU, live in homes with no tap water or sanitation facilities (Heidegger and Weise, 2020; Fundamental Rights Agency, 2018), thus increasing their vulnerability to transmittable diseases (Anthonja et al. 2020). Growing informal settlements, particularly of refugees and migrants, in many European cities with limited or no access to any basic services can also pose a challenge to public health.

Underinvestment in the water sector worsens socio-economic inequalities and generates environmental costs. Even where universal access has been achieved, water systems are often characterised by ageing infrastructure that is unable to meet service and environmental quality standards and/or are not resilient to climate change. For example, over 40% of the total water supply in Bulgaria, Romania, Ireland, Latvia and Croatia is lost through leaks in the transmission and distribution networks (Interreg Central Europe, 2020). In some water-scarce regions such as Southern Italy water losses can peak at 70% of production. This depletes increasingly scarce natural resources and increases energy consumption without achieving any social benefits (EEA, 2019).

Poor management of water resources, including insufficient investment in wastewater management, negatively affects environmental sustainability in parts of Europe. Despite sizeable investments following the EU Urban Wastewater Treatment Directive (91/271/EEC) and the creation of a strong water resources management framework with the EU Water Framework Directive (2000/60/EC), the EU water quality objectives are far from being reached. In Southern and Eastern Europe around 30% of the population is not connected to any wastewater treatment facilities (EEA, 2020), with less than 40% of the population connected to more effective secondary treatment in Romania, Croatia and Turkey and less than 10% in Serbia, Albania, Bosnia and Herzegovina and Kosovo (Eurostat, 2020c).

Infrastructure shortcomings in the water sector also increase vulnerability to climate change. Europe in general, and the southern countries in particular, are likely to experience increasing water stress by the end of the 21st century, when 295 million Europeans could be affected by water scarcity, up from 85 million today (Bisselink et al., 2018). Densely populated areas are particularly vulnerable: European cities such as Athens, Istanbul and Paris already divert water sources that lie 100-200 km away to ensure sufficient supply (EEA, 2019). Competition for scarce resources is increasing between human consumption and other uses, such as irrigation, thus evidencing the need for improved water resources management and increased attention to circular economy investment solutions, such as the recycling and reuse of treated wastewater for an increased number of uses.

Management of water resources and the provision of water and sanitation services represent sizeable investment opportunities in Europe, with strong socio-economic and environmental impacts and the potential to reduce socio-economic inequalities. The OECD estimates that all EU countries together spend on average € 100 billion per year on water supply and sanitation. This needs to increase to meet compliance with the EU Drinking Water and Urban Waste Water Treatment Directives (DWD and UWWTD) alone, for which the total cumulative additional expenditure needed by 2030 amounts to € 289 billion for the 27 member states plus the UK, primarily for compliance with the UWWTD. This does not cover the investments required for the modernisation of the existing water infrastructure, which urgently needs to be stepped up in a number of countries. Neither does it cover the expenditure needed to ensure compliance with the Water Framework Directive and the Floods Directive, or to adapt water and sanitation systems for climate change.
Box 5 discusses a project in Serbia that is expected to have significant effects on human and environmental health.

Social, economic and environmental benefits of investment in the water sector could be further enhanced by integrating in the project design nature-based solutions for climate adaptation and/or circular economy solutions, such as electricity generation from biogas from the sludge generated at wastewater treatment plants.

**Box 5: Multiple benefits of water supply and waste water treatment in Serbia**

In 2019, the CEB approved a loan of € 200 million to the Republic of Serbia, to partially finance priority investments in water supply and wastewater treatment. The project is still ongoing and results are not available at this stage. Currently only 50% of municipal drinking water meets service quality criteria and only 8% of wastewater is treated in the country, with inevitable environmental and health consequences. Water quality in Serbia is generally low and is further deteriorating. Surface water quality suffers mainly from eutrophication caused by nutrients and organic pollutants due to the discharge of untreated sewage, agricultural run-off, and heavy metal pollution. In large rivers (the Danube, Sava, Tisa and Morava) increased bacteriological pollution is found downstream of large cities with no sewage treatment systems (e.g. Belgrade, Novi Sad). This is threatening drinking water sources in some areas and is increasing costs for society in the form of increased health risks, depollution costs, operational costs of purifying water, among other things. Water supply systems are characterised by major losses in the transmission and distribution networks as well as important service disruptions. Having suffered from underinvestment for the last 60 years, networks are substandard, including half century-old pipes and dangerous construction materials.

The CEB loan aims to co-finance the construction of new waste water treatment plants in Serbia, as well as priority measures for the improvement and rehabilitation of the water supply networks in around 60 municipalities. The objectives include a reduction in water losses, improvements in water supply service coverage and drinking water quality, as well as reduced environmental degradation, notably reduced pollution of surface and groundwater, and the protection of drinking water sources. Around 2 million people, or 30% of the Serbian population, are expected to benefit from drinking water supply improvements (quality and quantity) and it is also expected that benefiting municipalities will include the third and the fourth largest cities in Serbia. This type of project can be seen as contributing to promoting social and environmental sustainability and achieving climate action objectives, in this case, primarily adaptation. Indeed, the programme intends to protect water quality and increase the quantity available in a context in which the quantity and quality of water are threatened by climate change. The activities financed by the programme are prioritised in the Adaptation Plan of the Republic of Serbia.
3.4 Mainstreaming inclusiveness, resilience and sustainability – the example of education

Improving access to quality education fosters social cohesion and economic growth. Equal access to high quality education is a prerequisite for more adaptable and just societies as well as economic prosperity. Europeans with only basic education are three times more likely to live in poverty than those with higher education attainments (European Commission, 2017a) and only 50% of young early school leavers are employed (European Commission, 2019b). While investing in human capital may yield a lower immediate economic impact as a crisis exit strategy compared to other types of investment, its effect on long-term economic growth is well established. Better educated societies are more productive, innovative and adaptable, and thus less vulnerable to future shocks. Education is also central for the integration and advancement of vulnerable populations, yet pupils from the most disadvantaged backgrounds are almost five times more likely to underachieve in basic academic skills than their most privileged peers (ibid.). In addition, investment in education is made increasingly essential by the changing nature of work. As the existence of entire industries is threatened by rapid automatisation, many low-skill jobs may disappear, thus providing a comparative advantage to countries with highly educated populations.

Investment in high quality social infrastructure should be complemented by measures to maximise long-term benefits and social cohesion. In the case of education, these measures should include, for example, equipment and activities that support more effective use of the infrastructure itself so as to ensure high quality learning outcomes for all and therefore higher social benefits. The sudden school closures across Europe during the Covid-19 emergency have shown that digital technologies and skills are crucial for preventing loss of human capital and unequal opportunities in the long term (World Bank, 2020).

Greening social infrastructure enhances overall project outcomes. Greener, environmentally sustainable buildings can reduce water and energy use and minimise negative impacts on the environment, including greenhouse gas emissions. Applying life cycle assessment at the design stage may, for instance, increase recycling and support a less resource-intensive society in line with pathways towards a circular economy. Indeed, green buildings have been shown to lower operation and maintenance costs. Finally, green schools can also serve as a relevant educational vehicle for teaching students how to save water and energy, take care of green spaces and favour the use of non-motorised transport.

Climate change adaptation of social infrastructure can reduce vulnerabilities in a cost-efficient way, enhancing their resilience to multiple shocks. Climate change considerations are already mainstreamed into EU sectoral policies and EU funds (notably ERDF and the Cohesion Funds), and are now part of Environmental Impact Assessments. While mitigation actions such as investments in energy efficiency are more easily understood and undertaken, adaptation aspects are not yet systematically considered and could benefit from more streamlined climate risk assessment processes and guidance. As an example, resilience to climate change would allow schools to operate even in future more extreme conditions or withstand more frequent and violent extreme weather events. If resilience is not embedded in the buildings, spaces would have to be transformed, modified or even reinforced structurally in the future. Similarly, other types of risks could also be considered in new building designs, as was done in the past in the design of open-air schools or other modernist buildings to avoid the transmission of tuberculosis, or for multipurpose buildings (i.e. schools as seismic shelters).
Box 6 shows climate action investments in schools by the Seine-Saint-Denis Department, including those addressing climate-related risks.

**Box 6: Investing in socially inclusive, green and resilient schools - Seine-Saint-Denis**

In 2010, the Department of Seine-Saint-Denis embarked on an ambitious €1.34 billion investment programme to (re)build a large part of its lower secondary school infrastructure, which had suffered from chronic underinvestment in past decades. Located to the northeast of Paris, the department has the highest poverty rate in France (27.9% in 2017), the highest unemployment rate in the region, and one fourth of students leaving the education system without any certification. The CEB is supporting this programme with two loans of €200 million each; the second one, approved in 2020, is still ongoing.

The programme requires High Environmental Quality certification for all new constructions and large rehabilitations, both to improve the environmental quality of the educational facilities and to reduce environmental and social risks during construction. As an example, investment is expected to favour low-carbon transport, the use of renewable resources (natural lighting, solar panels and geothermal heating), while the environmental quality of the sites and their climate resilience is enhanced through architectural designs favouring nature-based solutions (including less soil sealing, the development of green areas and the installation of green roofs). Specific climate risks e.g. from floods and droughts and their effects on soil, have also been assessed and solutions are being implemented. To further reduce GHG emissions, the department has planned the financing of energy performance-based contracts with private partners on existing educational facilities. (For details, see Duthilleul et al. 2019).

Conversely, well-designed, resilient infrastructure can increase overall social cohesion and community resilience. School yards can be conceived as green oases for children and other local residents during heatwaves, which are expected to become more frequent due to climate change in many parts of Europe. Green spaces also contribute to the mitigation of the heat island effect that is likely to become more frequent in urban areas.
Box 7 below showcases the actions taken by the City of Paris in a project financed by the CEB.

**Box 7: Investing in socially inclusive, green and resilient schools - City of Paris**

A €200 million loan to the City of Paris was approved in March 2016 for the purpose of supporting its 2015-2020 social investment programme, with its focus on education infrastructure and refugee centres, still ongoing. The Climate Plan adopted by the city indicates that 1/3 of the energy consumption of Parisian public buildings comes from the 660 schools in Paris. Based on this, the programme requires the energy efficiency retrofitting of the schools so that Paris can meet its commitment to a reduction in GHG emissions of 40% by 2030 and 60% by 2050. The CEB loan finances this energy efficiency renovation directly, through the renovation or reconstruction of school buildings and the installation of high-performing technical heating, cooling and ventilation systems.

An interesting feature of school renovation in Paris is the creation of “green oases” in the school yards that are currently paved in impermeable concrete and contribute to the urban heat effect during summer heatwaves, which are expected to intensify in the coming decades. The new yards include a greener environment, better adapted floor surfaces, abundant vegetation and drinking water fountains. With over 70 hectares of external spaces that are equally distributed across Paris, these green oases would be open to vulnerable residents during heatwaves and contribute to urban resilience and wellbeing.

As a financier, the CEB faces several barriers to financing climate resilience components. These include the lack of assessment of climate change risks and vulnerabilities for stand-alone and relatively small social infrastructure such as schools, and the lack of monetisation of the potential risks, which reduces the incentives to increase upfront investment to avoid higher costs in the future. Similar barriers reduce the capacity to invest in soft components aimed at increasing inclusive outcomes. **Overcoming barriers to mainstreaming resilience and social inclusiveness would not only enhance the quality and sustainability (including financial) of social infrastructure but also its long-term benefits.**

### 3.5 Supporting the transition towards inclusive, resilient and sustainable development at subnational level

Resilient territorial and urban development that enhances social cohesion could be a central element of Europe’s development. Home to almost three quarters of Europeans, cities have been the engines of growth, social interaction and economic opportunities. On the other hand, managing intensive economic activity and urban agglomerations in a constrained environment comes with multiple challenges. The Covid-19 pandemic has highlighted some of these challenges and evidenced the need for accelerated action aimed at increasing the inclusiveness and resilience of cities. Making cities more inclusive, resilient and sustainable is one of the Sustainable Development Goals and a priority for European policy makers, as defined in the Urban Agenda for the EU.
The impacts of accelerating climate change threaten the prosperity of many European urban areas. For example, cities are more vulnerable to heatwaves due to the heat island effect caused by the combination of manmade surfaces that trap heat, low airflow and the concentration of various heat producing activities. In Paris, the average weather temperature is 2.5°C higher than in the surrounding countryside, but the difference can reach 10°C on the hottest summer days (RTL, 2020). Similarly, intense rainfall and flash flooding pose increased threats in cities where the levels of soil sealing are high. This is worsened by urban planning decisions that have allowed the siting of buildings in flood-prone areas or by poorly managed urban drainage networks.

Rising income inequality is becoming one of the key challenges in many European cities, exacerbating socio-economic vulnerabilities and exclusion. All across Europe, urban areas are becoming more polarised and increasingly marked by spatial segregation (Musterd et al., 2016) based on income, education, occupation, gender and/or ethnicity as well as the “invisible segregation” of migrants and refugees living in informal temporary settlements (Alberti et al., 2019). Some of the most dynamic and prosperous European capital agglomerations contain areas underserved by public service infrastructure and often displaying the highest criminality rates and lowest income per capita at national level. These areas suffer most during crises: for example, the denser neighbourhoods with substandard housing and high poverty levels have experienced the worst impact in terms of health in the Covid-19 pandemic (UNCTAD, 2020) and are often located in areas that are at higher risk in the face of climate change.

Social inequalities and exposure to environmental degradation and climate-related risks in cities are mutually reinforcing. Many lower-income areas often lack green spaces and suffer the most during heatwaves. They are also often more exposed to pollution accidents and climate-related extreme events. As awareness of climate-related risks increases, some cities are witnessing “climate change gentrification” processes, whereby property prices soar in areas where exposure to climate hazards is seen as lower, forcing lower-income households to concentrate in higher-risk areas.

Many European local authorities have the goal of becoming more resilient, inclusive and sustainable and are adopting integrated approaches to achieve this. Previous sections of this brief presented some of the investments tackling such aspects within individual projects that are being implemented by local authorities. However, resilience, inclusiveness and sustainability have to be tackled based on an integrated approach to territorial and urban development. Cities that have adopted integrated planning have managed to roll out strategies to enhance resilience, social cohesion and sustainability. Integrated planning tries to incorporate social, economic and environmental considerations into the planning process. Implementation of such plans usually entails several challenges, notably coordination among various city sectoral departments and the measuring and tracking of the impacts and results. Resilience management and good planning systems can allow cities to quickly respond to disruptions. As an example, some cities were able to rapidly roll-out innovative solutions to challenges posed by the Covid-19 crisis, e.g. in the area of low carbon individual mobility as was the case in Milan, Paris and Berlin.

Among other cities, the CEB has supported the City of Genoa in the financing of its investment plan, which is based on integrated planning as defined above and in line with its resilience strategy (Box 8).
Box 8: Local authorities can achieve resilience: the experience of the City of Genoa

Genoa is one of the cities where climate change is projected to significantly increase the risk of flooding, sea level rise, storm surges and landslides because of the city’s high hydrogeology and urban topography. Genoa has experienced four major floods in the last 50 years. Since the major flood events of 2014, building resilience to flood risk has become a priority for the city. The city is also undergoing a restructuring of its economic base, following the loss of industrial jobs which led to severe economic decline in the 1970s and 1980s, and needs to address the social challenges associated with demographic change and an ageing population. The catastrophic collapse of the Morandi Bridge in 2018 further exposed the vulnerability of the territory and of its infrastructure, encouraging the municipal decision to develop a Resilience Strategy, within the framework of the Municipal Development Plan (Piano Urbanistico Comunale, PUC).

The City Council of Genoa approved its first resilience strategy “Lighthouse Genova Città Faro” in November 2019. The strategy provides an innovative, integrated framework for assessing and enhancing the resilience of municipal investments and initiatives. The strategy identifies three typologies of municipal assets – grey assets (physical infrastructure), green assets (urban environment) and soft assets (socio-economic assets and governance). The most innovative aspect of this approach is the focus on soft assets for resilience. This will allow the City of Genoa to identify and address the socio-economic vulnerability of urban dwellers, and enhance the social value of investments and initiatives that build up resilience.

The approach is grounded on the latest evidence showing that the traditional focus on grey and green assets alone is not sufficient to build resilience in view of the new threats and shocks faced by cities.

Genoa is showing the way forward on how to integrate resilience into the planning and investment budget processes. The Resilience Strategy is fully consistent with the PUC, and will be implemented through the city’s existing planning process and operational tools – in particular, the Municipal Investment Plan, and the new climate change adaptation strategy (the Sustainable Energy and Climate Action Plan, SECAP) under preparation. The City of Genoa is in the process of preparing an action plan based on a participatory approach so as to turn the strategy into action. The Action Plan is expected to be updated annually.

The CEB approved a €50 million loan to the city in 2019 to support the Municipal Investment Plan for 2019-2021 (€200 million) with the overarching objective of increasing the city’s resilience and reducing its vulnerability to natural disasters. The Municipal Investment Plan has three main areas of focus. One area of focus is to improve management of the risks associated with climate-related hazards, in particular floods and landslides. The plan also aims to enhance access to and the quality of public infrastructure and services, such as education, with a focus on currently underserved areas and communities. The plan also includes punctual urban regeneration actions and cultural heritage conservation aimed at improving the city’s liveability and economic attractiveness. The city is also planning several large-scale urban regeneration investments with the objective of diversifying its economy and creating high-value jobs; these include the requalification of the historic city core, the revitalisation of the port and waterfront area and the sustainable re-development of the neighbourhood affected by the tragedy of the collapse of the Morandi Bridge in 2018.
The CEB is expanding its support for subnational authorities, with a particular focus on supporting social cohesion, and paying increased attention to resilience and environmental sustainability goals. For more information on the CEB’s city financing activities, please refer to a recent technical brief (Muzzini, 2018). To better tailor to the needs of subnational authorities, the CEB offers flexible and customised financial instruments, notably the CEB’s Public Sector Finance Facility and the EU Co-financing Facility, enabling local authorities to optimise their treasury management. Furthermore, to be able to work with smaller subnational clients, difficult to reach due to their credit risk profile, the CEB intends to continue financing programmes with specialised municipal finance institutions or through regional promotional and development banks, as per the 2020-2022 Development Plan. Finally, the CEB can provide technical assistance to support its subnational clients in enhancing the design and implementation of multi-dimensional, multi-annual strategies, plans and investment programmes that integrate inclusive, green and resilient aspects. To this end, the CEB is partnering with other institutions, such as the OECD, to better assess the social inclusion, environmental sustainability and resilience of the urban areas it supports.

4. Conclusions

The CEB is fulfilling its unique role as Europe’s social bank by consistently investing in projects that boost social inclusion and integration, while also supporting environmental sustainability and resilience. The activities showcased in this technical brief are successful examples of operations co-financed by the CEB to support the long-term strategies of its member countries and other beneficiaries leading to high and sustainable social, economic and environmental impacts. These types of actions enable the CEB to 1) generate significant social benefits and facilitate social inclusion, which is further enhanced by targeted support to vulnerable groups, 2) deliver positive impacts on economic growth and employment creation, 3) enhance support for climate action and environmental sustainability, throughout its portfolio.

The brief shows that the integrated pursuit of social, economic and environmental objectives can mutually reinforce their contribution to overall societal resilience. Bridging critical social infrastructure gaps to ensure equitable access to high-quality, affordable essential services for all remains the most effective way to promote social cohesion and social integration in Europe. In addition, this brief illustrates how the mainstreaming of social inclusion, resilience and environmental considerations in all operations can strengthen their positive impacts. From the examples presented above, the following messages emerge for the CEB and its clients:

- The explicit mainstreaming of environmental sustainability, resilience and social inclusiveness in all infrastructure investments can help increase project impacts. This requires planning and project design based on integrated consideration of social, environmental and economic goals and the identification of social cohesion and resilience as explicit objectives.

- Engaging in upstream dialogue and providing support for project preparation is paramount to enhancing the social impacts, environmental sustainability and resilience of projects and programmes. This is especially true when supporting subnational authorities, particularly cities, where a sound, integrated territorial approach has to be included early on in the planning process. This upstream dialogue serves to enhance the effectiveness of technical support for the preparation and implementation of projects and programmes and of any capacity building – when needed.
Enhancing the impacts of social infrastructure investment requires consideration of any complementary actions and expenditure that may be needed to improve the functioning, sustainability or fruition of infrastructure and its delivery of quality services. Success may also depend on the provision of capacity building or other “soft” components at various stages in the project cycle, including once implementation of the physical investment is concluded.

Performing environmental and social risk assessments, including the consideration of climate-related risks and vulnerabilities, needs to be undertaken as early as possible in the identification of project options so as to systemically assess their potential socio-environmental benefits, sustainability and resilience. Furthermore, identifying all the aspects needed to achieve the anticipated positive impacts is important not only to maximise them but also to ensure they are sustainable.

Measuring the social, economic and environmental benefits of projects and programmes is key. Regardless of the financial instrument used to support them, this requires the identification of clear project targets and tailor-made indicators, the existence of a monitoring system, and the ability to obtain data to measure actual impacts and evaluate their long-term sustainability.

The CEB has continued to deliver on its social mandate to progressively align its lending activities with the goals and principles of the Paris Agreement. Useful lessons can be drawn from its experience in social investments that not only promote social inclusion and integration, but also foster economic recovery, and climate action. As CEB member countries and other beneficiaries are defining their efforts to overcome the impacts of the Covid-19 crisis, the CEB stands ready to support its partners in the implementation of their priority investments at national and subnational level. In particular, the CEB is ready to help local authorities address the challenges they face in accessing financial and other support for the definition of integrated territorial approaches to inclusiveness and resilience, and for the investment that stems from them. In line with its 2020-2022 Development Plan, the CEB will continue to work with its counterparts to identify and finance projects that deliver positive impacts on social inclusion, economic growth and employment creation, while enhancing the resilience and sustainability of infrastructure and societies.
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