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The strategy, governance and functioning of the Council of Europe Development Bank

Report¹

Committee on Economic Affairs and Development

Rapporteur: Mr Tuur ELZINGA, Netherlands, Group of the Unified European Left

Summary

Against the backdrop of economic crisis, the importance of international co-operation and the role played by multilateral development banks has come to the fore. The Council of Europe Development Bank (CEB) is a unique instrument of its 40 member states for promoting socio-economic cohesion and solidarity in European society. The report highlights the link between the Bank's activities and Council of Europe values and pleads for this bond to be further strengthened as the two institutions seek to reform their functioning.

The report notes that the social needs of the Bank's target group of countries in central, eastern and South-Eastern Europe have risen dramatically, whereas borrowing opportunities have diminished or become very onerous. To be able to shift more of its funds towards the most vulnerable countries, some inside, most outside the European Union and to maintain sound risk management, the CEB needs a substantial capital increase. There is also room for an increased use of co-operation agreements with international partners in order to share costs, practices, competences, experience and risks.

Taking stock of the CEB's work over the 2007-2009 period, current reform efforts and future challenges, the report underscores the Bank's huge potential which could be better tapped if its members can show the vision and ambition to make it an even more relevant, focused, visible and significant player on the European scene. A series of specific recommendations are put forward in this report towards that end.

1. Reference to committee: [Doc. 11923](#), Reference 3582 of 22 June 2009.



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A. Draft recommendation²

1. Against the background of lingering financial and economic crisis, the Parliamentary Assembly underscores the increased role of international financial institutions and multilateral development banks, such as the Council of Europe Development Bank (CEB) which is a unique instrument for promoting socio-economic cohesion and solidarity in European society. In order to maintain public confidence in such institutions, it is more important than ever that they function efficiently and that their governance is beyond reproach and democratically accountable.
2. The roots of the Council of Europe and the CEB are closely intertwined and linked with the making of Europe. Both institutions have grown rapidly since 1990 to embrace emerging democracies and both have embarked upon sweeping reform of their functioning. In this context, the Assembly welcomes the opportunity to contribute to the ongoing reflection on the Bank's priorities, financial benchmarks, governance, relations with the Council of Europe and other international partners, and development impact evaluation. The Assembly is convinced that this is also the right moment to enhance dialogue and information flow between the Bank and the Assembly.
3. The Assembly believes that the relation between CEB activities and Council of Europe values should be further strengthened. It therefore strongly supports a proposal made in the framework of the CEB's Strategic Review that the attachment to activities underpinning democracy, human rights and the rule of law, such as through investment in judicial and civil service training institutions and infrastructure, would be explicitly stated as part of the CEB's mandate. It is essential that the CEB cultivate its specificity on the European scene in this field.
4. Over the last few years, the CEB has worked in a very unstable and worsening environment as the financial storm has swept through the world and Europe, adversely affecting the confidence of global investors and crippling national economies. The unfavourable economic outlook brought lending to record lows and public finances had to shift significant resources to finance rescue packages.
5. Many countries of central and eastern Europe had to face the consequences of net capital outflows, sinking credit ratings, deteriorating economic performance and social conditions, as well as hurdles in mobilising financial resources. As a result, the needs of 21 countries belonging to the CEB's target group (Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Cyprus, Czech Republic, Estonia, Georgia, Hungary, Latvia, Lithuania, Malta, Moldova, Montenegro, Poland, Slovak Republic, Romania, Serbia, Slovenia, "The former Yugoslav Republic of Macedonia" and Turkey) rose dramatically whilst borrowing opportunities diminished or became very costly.
6. The Assembly appreciates that the CEB's lending was only mildly affected and that only one CEB borrower missed some payments due. If the volume of commitments (projects approved) shrank by over 20% from 2006 to 2008, the level of disbursements remained stable and even grew in respect of target countries. In 2009, the Bank's activities expanded rapidly, in particular in favour of target countries, even as prudential frameworks for risk management were tightened up.
7. At the same time, the CEB needs to ensure a more balanced loan portfolio that would shift more funds towards the neediest countries outside the European Union. In order to move faster, but not too fast – which would put at risk the Bank's top credit rating and the ability to offer good value for money loans to its member states – the CEB has to strike a balance between its engine (lending capacity) and its brakes (risk management imperatives). Considering this, and the fact that in May 2010 another major development bank in Europe – the European Bank for Reconstruction and Development – approved a large increase in its capital (by €10 billion or 50%) in order to better respond to the growing needs of its client countries, the CEB member states should very seriously consider boosting the CEB's capital.
8. The Assembly notes that the CEB's activities under the 2005-2009 Development Plan were largely in line with the objectives set and that a new Development Plan for 2010-2014 has been endorsed. The latter counts on a fragile economic recovery in Europe accompanied by higher unemployment and greater social needs, especially in central and south-eastern Europe. Three long-term trends – population aging, higher cost of energy and increasing financial needs of local authorities – are expected to affect all CEB member states. The Bank therefore plans to increase its lending volume by 15%, enhance support to target countries so that the loans outstanding for this group would represent 60% of the total by 2014 (compared with 40.5% in direct support at present and 47.1% if indirect loans are included), boost lending to social infrastructure projects and strengthen co-operation with the European Union and donor countries on project implementation.

2. Draft recommendation adopted unanimously by the committee on 21 June 2010.

9. The CEB has concluded a series of co-operation agreements with the European Union, international financial institutions and the United Nations specialised agencies. The practical use and implementation of these instruments should be expanded with a view to sharing costs, practices, competences, experience and risks. In particular, efforts should focus on co-financing activities in the neediest target countries and specifically on micro-finance, women's entrepreneurship, energy efficiency, migrants and socio-economic cohesion. This would increase the CEB's visibility, development impact and risk-taking capacity.

10. The Assembly welcomes the approval and entry into force as from January 2010 of the codes of conduct in respect of CEB management, chairpersons and members of the collegial bodies (Governing Board and Administrative Council), contractual collaborators or service providers, and the Auditing Board. It furthermore commends the CEB's efforts for self-assessment as witnessed in the publication of corporate social responsibility reports.

11. The Assembly therefore recommends that the Committee of Ministers:

11.1. in the light of the ongoing CEB Strategic Review, urge CEB member states to:

11.1.1. agree on a substantial increase in the CEB's capital;

11.1.2. reach a compromise on streamlining the CEB's governance model, while preserving the checks-and-balances system within the power structure of the Bank;

11.1.3. align the number of terms of office for the posts of the Governor and Vice-Governors more closely with that of the chairmanship of the Bank's organs;

11.1.4. clarify the duties and responsibilities of Vice-Governors;

11.1.5. simplify the voting system of the CEB's Administrative Council and Governing Board;

11.1.6. enhance the independence of the CEB's evaluation function by ensuring that the Ex Post Evaluation Department reports directly to the Bank's organs;

11.2. in order to consolidate the link between the Bank and its parent organisation, the Council of Europe, and in the framework of Council of Europe reform and reprioritisation:

11.2.1. ensure that a sufficient size and functional capacity of the Secretariat of the Partial Agreement (on CEB) in Strasbourg be preserved;

11.2.2. strengthen the Organisation's transversal co-ordination capacity to identify more bankable projects for possible CEB financing;

11.2.3. seek the CEB's assistance and know-how in fund investment with a view to better fructifying the resources accumulated in the Council of Europe pension reserve fund;

11.2.4. encourage those Council of Europe member states not yet Party to the Partial Agreement on the CEB to join it;

11.2.5. assess the action taken by the CEB and its member states in order to launch projects under the Council of Europe Action Plan 2006-2015 for people with disabilities and ensure adequate implementation of Recommendation CM/Rec(2010)2 on deinstitutionalisation and community living of children with disabilities, including the generation of projects in this field for CEB financing;

11.3. encourage the CEB to:

11.3.1. accelerate efforts to phase out indirect loans through intermediary banks and tighten its control over the financing conditions applied by the intermediaries to the final borrowers;

11.3.2. consider replicating high value-added projects in several target countries;

11.3.3. seek enhanced continuity and impact of its financing through involvement in a series of related projects;

11.3.4. increase activities underpinning democracy, human rights and the rule of law, such as through investment in judicial and civil service training institutions and infrastructure;

11.3.5. offer additional technical assistance, where possible together with the Council of Europe, for studies on project feasibility, needs assessment and absorption capacity building in its newest and neediest member states;

11.3.6. publish background information on its mission and operating principles for the attention of the general public in the languages of target countries;

11.3.7. continue efforts towards increased geographical diversification and gender balance of its staff, in particular in senior management positions;

11.3.8. in the framework of the Bank's structural reform, foster the culture of sharing and co-ordination among its various structural units, especially at a horizontal level.

12. Recalling its [Recommendation 1567 \(2002\)](#) on parliamentary scrutiny of international institutions, the Proposals for Enhanced Dialogue and Co-operation between the Parliamentary Assembly and the Committee of Ministers of September 2009 and the recommendations contained in the CEB Strategic Review Report of October 2008 as regards transparency and accountability, the Assembly asks the Committee of Ministers to regularly inform it about the CEB's activities and work, including by transmitting to it relevant documents of the CEB Governing Board.

B. Explanatory memorandum by Mr Elzinga, rapporteur

1. Introduction: background and general overview

1. The Council of Europe Development Bank (“the CEB” or “the Bank”) is the oldest development bank in Europe. It was set up in 1956 by the Council of Europe’s Committee of Ministers as a partial agreement to assist the resettlement of refugees and displaced persons in post-war western Europe. Originally called “the Resettlement Fund”, it was later renamed “the Council of Europe Social Development Fund” and, since 1999, the “Council of Europe Development Bank”. The CEB now has 40 member states³ and is increasingly engaged in new areas of activity.⁴ Eight Council of Europe member states – Andorra, Armenia, Austria, Azerbaijan, Monaco, the Russian Federation, Ukraine and the United Kingdom – are not (yet) members of the Bank.

2. The Parliamentary Assembly has followed the Bank’s activities since the beginning: first through its Committee on Migration, Refugees and Population, and, since 2000, mainly through its Committee on Economic Affairs and Development. In this context, the rapporteur recalls the importance of the Assembly’s oversight of several international organisations that do not have a parliamentary branch (such as the Organisation for Economic Co-operation and Development (OECD) and the European Bank for Reconstruction and Development (EBRD)) through regular debates on their activities and future orientations. As the action of the CEB and the Council of Europe is complementary, this relationship could and should be further enhanced, for example with regard to the identification and preparation of projects.

3. With the financial crisis lingering around the world, the role of international financial institutions and multilateral development banks – such as the CEB – has come to the fore, not least because of their potential to cushion the negative social impact of the crisis that has seriously disrupted the development of the less mature European economies and has made their borrowing very onerous. The first semester of 2010 has also seen a significant degradation of the economic situation and credit ratings of several eurozone states that are important clients of the CEB.

4. Moreover, as the CEB is undergoing a major strategic review, the Assembly must contribute its views on the shaping of the Bank’s future.

5. This report will review the Bank’s work over the period 2007-2009, follow-up given to earlier recommendations of the Assembly, the reform proposals made by the Committee of Eminent Persons, challenges for the CEB’s future work and the Bank’s co-operation with partner institutions. Other Assembly committees may wish, in due course, to submit their views on the Bank’s activities in favour of migration, social cohesion, environmental and education-related projects.

6. For the purposes of this report, the rapporteur held meetings with the representatives of the Bank (Acting Chairperson and selected members of the Governing Board, the Chairperson of the Administrative Council, the Governor and two of the three Vice-Governors, as well as several directors), the Secretariat of the Partial Agreement on the CEB and some ambassadors of the Council of Europe member states that are not members of the Bank. The rapporteur is most grateful to all these people for the information and assistance they provided in the preparation of this report.

2. The Bank’s mission, resources and functioning

Mission and main areas of activity

7. As a multilateral development bank with a social vocation, the CEB has a remit to finance social development and reconstruction projects in favour of disadvantaged populations and regions. In practice, this means that the Bank chooses to invest in projects that promote social cohesion and human development, help to deal with the consequences of migration, support environment-friendly growth and participate in

3. Albania, Belgium, Bosnia and Herzegovina, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Georgia, Germany Greece, Holy See (an observer state of the Council of Europe), Hungary, Iceland, Ireland, Italy, Latvia, Liechtenstein, Lithuania, Luxembourg, Malta, Moldova, Montenegro, Netherlands, Norway, Poland, Portugal, Romania, San Marino, Serbia, Slovak Republic, Slovenia, Spain, Sweden, Switzerland, “the former Yugoslav Republic of Macedonia” and Turkey.

4. During the period 1976-1989, the first increase in capital and new members gave the Bank impetus for greater involvement in southern Europe, while the 1990s, marked by the reunification of Europe, brought a new focus on the huge development needs of the new member states in central and eastern Europe.

reconstruction after natural disasters or help to prevent them. Following a call contained in the Action Plan of the 3rd Council of Europe Summit (Warsaw, May 2005), the Bank undertook to widen its mission by explicitly embracing policies aimed at strengthening democracy, human rights and the rule of law through projects in the field of judicial and civil services and infrastructure.

8. The CEB-supported projects cover various fields. They range from education, vocational training, public health, social housing, job creation and conservation (especially in small and medium-sized enterprises), to urban and rural development, environmental protection, heritage conservation and prison infrastructure. All projects approved are aimed at the improvement of living standards of the vulnerable segments of the population in the Bank's member states, with an increasing focus on central and south-eastern Europe – the so-called "target countries". With 12 out of 21 target countries having direct access to the European Union's financing instruments, the CEB has even more reason to co-operate with the European Union on the co-financing of development projects in these countries and to shift more of its own funding to non-European Union countries.

Resources

9. Maintaining a good balance between sound banking and social purpose is essential for the CEB in order to provide "good value for money" loans for socially oriented projects. The Bank receives no annual contributions from its member states and lends from its own resources (namely, paid-up capital, reserves and profits) and funds raised on financial markets, in particular in East and South-East Asian countries. The Bank currently owns €4.75 billion of assets (equity).⁵ The last formal capital increase was in 1999. As agreed under the Bank's Development Plan for 2010-2014, discussions are under way on the next capital increase. In addition, the CEB's financial basis is strengthened by the accumulation of reserves from annual profits (between €75 and €100 million per year) and occasionally the subscriptions of capital by new members such as Georgia and Montenegro, when they joined the Bank in 2007, and its target group of countries.

10. Despite the prolonged turbulence in financial markets and economic recession affecting many of its member states, the CEB has managed to preserve its top credit rating, "AAA", with Standard & Poor's, Fitch Ratings and Moody's, which allows the Bank to obtain resources at minimal cost for further lending to its clients. The Bank's prudential ratios somewhat deteriorated recently, but they remain within acceptable limits. Net profits have increased over recent years (€93.3 million in 2007, €95.8 million in 2008 and €107 million in 2009 – see tables in the appendix), with generally steady net banking income, moderate increases in operating expenses and relatively low releases from provisions.

Functioning and management

11. The Bank issues long-term loans to its members, local or regional authorities and financial institutions (public or private), but not to private persons or enterprises. The loan approval process takes into account a set of specific criteria from a sectorial, geographic and social point of view. Moreover, all requests for project financing must be endorsed⁶ by the national authorities of the country concerned and be supported by sufficient guarantees.⁷ They have to be submitted via the Secretary General of the Council of Europe who assesses the political and social contents. The Bank may assist its clients in the preparation of projects.

12. The terms of lending are based on the Bank's cost of funds and fixed or variable rates. In reality, the CEB can offer advantageous "AAA" conditions (comparable to the London Inter-Bank Offer Rate or "LIBOR") with a small margin that can be further lowered under certain conditions through an interest rate subsidy facility called the Selective Trust Account (see description below). Loans may extend to fifteen years and might include a grace period of up to five years. At present, the Bank is two to four times more competitive in terms of margins on the cost of funds (on average 0.2%-0.25%) than similar institutions – such as the World Bank and the EBRD – that provide loans with margins of, respectively, 0.57% and 1%.

13. After scrutiny from the financial and technical angles by the Bank's staff, loan applications are examined by the Bank's Administrative Council and by the Secretary General of the Council of Europe. The latter submits an opinion on the political admissibility of project applications on the basis of information

5. Consisting of €3.4 billion as subscribed capital and €1.3 billion as reserves.

6. Both the project and the applicant need to have such support.

7. The CEB normally accepts guarantees offered by the member state government, local authority or a first-class financial institution.

supplied by the Bank's staff. The CEB can finance up to 50% of the project cost and up to 90% in the countries of central and South-Eastern Europe and in priority fields of action. Projects selected must be subject to tenders in accordance with the relevant regulations.⁸

14. As was mentioned above, the CEB mainly issues loans, but it can – exceptionally – grant interest rate subsidies and donations through the Selective Trust Account for high priority projects or in response to financing needs in case of emergency situations in eligible countries. As of November 2009, these countries are Albania, Bosnia and Herzegovina, Georgia, Moldova, “the former Yugoslav Republic of Macedonia”, Croatia, Poland, Lithuania, Latvia, Turkey, Romania, Bulgaria, Serbia and Montenegro. The Selective Trust Account is replenished with allocations from the Bank's profits and voluntary contributions.

15. Since 2003, the Bank also administers the Norway Trust Account (endowed with €3 million) which usefully supplements the CEB's technical assistance activities in favour of the western Balkan countries (Albania, Bosnia and Herzegovina, Croatia, Montenegro, Serbia and “the former Yugoslav Republic of Macedonia”). Some 34 initiatives were supported and €2.8 million were disbursed by the end of 2009. In 2008, the CEB, the Council of Europe and the Norwegian authorities created a Human Rights Trust Fund of €2 million in support of activities meant to strengthen the rule of law and human rights protection through technical assistance to prepare projects relating to infrastructure of administrative and judicial public services. Moreover, in September 2009, Spain and the CEB set up a Spanish Social Cohesion Account, endowed with €2 million, which will finance technical assistance conducive to CEB projects in central and South-East European countries.

16. The CEB's management structure consists of the Governing Board, with an elected Chairperson and representatives of the Bank's member states (mostly ambassadors to the Council of Europe), the Administrative Council, chaired by Mr Rainer Steckhan and comprising one representative per member state (in most cases from a national ministry of finance or a central bank), the Governor, Mr Raphaël Alomar, assisted by three Vice-Governors, and the Auditing Board with three members that are chosen from among the member states. The Administrative Council sets up and delegates some decision-making powers to a subordinate body – the Executive Committee of 13 members. Currently, this Executive Committee is subject to discussion and may be abolished.

17. This management structure has been in place since 1994 (when the Bank had 20 member states), after irregularities in the operation of the Bank were revealed by an internal audit. Further to the auditors' recommendations and with the consent of the Council of Europe Committee of Ministers, the revised Articles of Agreement better defined the responsibilities and powers of the Bank's organs, strengthened voting procedures and top management oversight, established the Executive Committee within the Administrative Council, limited the term of office of the Chairperson of the Governing Board, created the posts of Vice-Governor; made the Governor the legal representative of the Bank and extended his term of office to five years (renewable), formalised the relationship with the Council of Europe, etc. This essential reform opened a new era for the Bank ahead of the major enlargement in its membership with the accession of states from central and eastern Europe.

18. The decision-making process is very complex. It is mainly based on a consensus or, if necessary, on a voting system that entitles every member on the Governing Board and the Administrative Council to one vote for each participating certificate held by their countries (the number of certificates held depends on a member state's share in the Bank's subscribed capital). Decisions are, for instance, adopted by a majority of the members voting and holding two thirds of the votes cast (so-called “double majority” voting) in the Governing Board and by a simple majority in the Administrative Council, depending on the subject matter. In some cases, a majority of three quarters is required in the Governing Board and a double majority⁹ is necessary in the Administrative Council.

19. Council of Europe staff (10 people) provide the secretariat of this partial agreement in Strasbourg. In addition, 154 permanent staff members from 26 countries work in Paris for the Bank's administration under the authority of the Governor. We should note continued efforts to diversify staff from the nationality point of view, even if still a big proportion of staff members working in Paris are French (41% in November 2009). Although it is attached to the Council of Europe and subject to its supreme authority, the Bank enjoys full

8. Details of the complete set of eligibility criteria, the processing of loan applications and the monitoring of project implementation are available at www.coebank.org.

9. A “double majority” in the Administrative Council may require either a majority of the members voting and a majority of votes cast or a majority of the members voting and a two-thirds majority of the votes cast.

operational autonomy in decision making and management. This dual structure means that the Council of Europe is the CEB's owner, but the Bank's day-to-day running is essentially in the hands of its executive and administrative organs.

20. Pursuant to the decisions of the CEB Governing Board in June 2009, it was proposed that some "technical" secretarial functions of the partial agreement based in Strasbourg be transferred to the CEB services in Paris, thus generating budgetary savings of some €717 700. However, the practical aspects of implementing this proposal are not quite clear as a large number of member states have expressed strong reservations about the interpretation of Governing Board and Administrative Council decisions relating to this matter. Your rapporteur understands the wish to rationalise the budgetary side of the functioning of the partial agreement, but also shares the concern that the secretariat in Strasbourg should be sufficient in size to preserve – and even strengthen – the relationship between the Council of Europe and the Bank.

3. The Bank's activities in 2007-2009

21. Over the last three years, the CEB has been working in a very unstable and worsening economic climate. The first signs of trouble became apparent early in 2007 as imploding sub-prime loans started intoxicating financial markets in the United States, with spill-over effects rippling towards Europe. In the autumn of 2008, the financial storm began crippling European economies. The unfavourable economic outlook brought lending to record lows and public finances had to shift more or less significant funds to finance rescue packages.

22. Many of the central and eastern European countries have had to face the consequences of net capital outflows, sinking credit ratings, deteriorating economic performance and social conditions, as well as hurdles in mobilising financial resources. As a result, the needs of 21 countries of the CEB's target group (Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Cyprus, Czech Republic, Estonia, Georgia, Hungary, Latvia, Lithuania, Malta, Moldova, Montenegro, Poland, Slovak Republic, Romania, Serbia, Slovenia, "the former Yugoslav Republic of Macedonia" and Turkey) rose dramatically, whilst borrowing opportunities diminished or became more costly.

23. It is reassuring that the CEB's lending was only mildly affected and, by the end of 2009, only one CEB borrower from Iceland defaulted on its payments. If the volume of commitments (projects approved) shrank over 20% between 2006 and 2008, the level of disbursements remained stable (around €1.5 billion per year) and even grew in respect of target countries (up by 58% in 2008 alone). At the same time, funds employed in projects totalled €12.2 billion at the end of 2009, which is nearly the highest level since the Bank's creation (see tables in the appendix). Considering that the bank financed on average 40% per project, the total funds mobilised in social investment reached €30 billion through the so-called multiplier effect of the Bank's effort.

24. The target group of countries¹⁰ was the greatest beneficiary, receiving 70% of funds allocated by the CEB in 2008. Overall, from 2005 to 2009, the Bank's activities in these countries represented 58% of disbursements and 60% of projects approved – well ahead of the expectations laid out in the CEB's Development Plan for 2005-2009, notably as regards the redeployment of activity in favour of target countries. We hope that this trend will continue, although risk management from 2009 onwards has become more complex as some of the Bank's member states have seen their credit rating decline.

25. As early as 2004, the CEB was the first international financial institution to implement new prudential standards in line with the Basel Committee recommendations (Basel II) on measuring solvency, strengthening the liquidity level and building capacity through improved risk control. This, no doubt, well equipped the CEB for hard times. However, it is now likely that the banking regulations will be tightened even further as regards capital-versus-loans ratios.

26. In 2007, the CEB approved 37 new projects worth €2.4 billion. About a third of all financing (€810 million) was earmarked for projects relating to the protection of the environment, the rehabilitation of damaged infrastructures and improvements in living conditions, especially energy saving and efficiency measures. Turkey, Iceland and Hungary were the largest beneficiaries of this funding. Social housing projects in Denmark, Spain, Finland, France, Hungary, Italy, Serbia and Poland attracted nearly a quarter of all commitments (€662 million), with yet additional funds (€154 million) benefiting rural and urban modernisation activities, essentially in central Europe. Support for job creation and preservation concerned another largest expenditure item totalling €401 million, with micro, small and medium-sized enterprises in the CEB's target group countries being the main recipients.

10. The target countries together represent about 17% of the CEB's subscribed capital.

27. In 2008, the Bank committed itself to supporting 39 projects for a total of €1.86 billion and gave €1.73 million in donations (to Bosnia and Herzegovina, Georgia, Moldova and Serbia) in partnership with the United Nations agencies. Some 27 of these projects – worth €1.2 billion or 65% of the total commitments – were approved for target group countries. Overall, social cohesion projects reaped two thirds of the funds committed (€1.2 billion), with the largest share going to employment supporting activities (€901 million) and rural-urban infrastructures (€245 million). Two other lines of action earmarked just over €300 million each for environmental projects and human development activities. Importantly, the level of disbursements for the year came close to the level of new commitments, thus narrowing the gap seen a number of years before.

28. We shall note that in the wake of its blitz war with Russia in August 2008, Georgia received €1 million from the CEB in immediate humanitarian relief and further donations followed (€173 000) in early 2009. The Bank has since been considering a larger scale of commitments with a view to reconstruction works together with other international donors, but no project has since been approved in respect of Georgia.

29. Throughout 2009, the Bank faced a steep growth in demand for project financing. The volume of projects approved thus reached some €2.7 billion (43% more than in 2008 and 17% more than the average of totals for the period 2005-2008). Disbursements followed the trend (€1.8 billion – up by 20% on the previous year) and the share of the target countries in total disbursements for 2009 reached record heights at 77%. Half of the projects approved and loans disbursed were in the domain of social cohesion (especially social housing and rural/urban modernisation) and over one third of projects approved concerned the development of human capital, in particular through education and vocational training. Poland, Portugal, Turkey and Spain were the greatest beneficiaries of the Bank's action in terms of projects approved. Hungary, Poland and Romania were the top beneficiaries in terms of loans disbursed.

30. Overall, the Bank's activities under the 2005-2009 Development Plan were in line with the objectives set and show a steady increase in financing for the target countries, average annual disbursements at about €1.6 billion and a generally balanced breakdown of funding between the Bank's sectoral lines of action. At the same time, the Bank strengthened its prudential framework to limit any risk of default on repayments (by introducing a capital adequacy ratio) and to reduce its exposure to the highest risks (such as below investment grade loans). Your rapporteur hopes that these measures will not have a negative effect on the Bank's objective of shifting even more resources to the neediest target countries in the future and increasing the added value of projects.

31. Following a call contained in the Action Plan of the 3rd Council of Europe Summit, the Bank undertook to widen its mission by explicitly embracing policies aimed at the strengthening of democracy, human rights and the rule of law through projects in the field of judicial and civil services and infrastructure. The Warsaw Summit guidelines were incorporated into the Loan Policy approved by the collegial bodies during the joint meeting of June 2006. Moreover, this undertaking was explicitly reaffirmed in 2009 when the Loan Policy underwent operational adaptations as part of the strategic review. However, only a small number of projects have been approved in this sub-sector to date, due to the technical complexity of these projects and the difficulty in securing (co-)financing.

4. The strategic review of the Bank's role

32. The strategic review of the Bank's activities was launched in 2007 with the aim of improving the CEB's governance and performance in order to meet the high – and growing – expectations of its member states. The Committee of Eminent Persons – consisting of Enrique Iglesias (Secretary General of the Ibero-American Co-operation and former President of the Inter-American Development Bank (IDB)), Jón Sigurdsson (Chairperson of the Board of the Financial Supervisory Authority of Iceland and former President of the Nordic Investment Bank (NIB)), and Special Adviser Jacques de Larosière (former President of the European Bank for Reconstruction and Development (EBRD) and former Managing Director of the International Monetary Fund (IMF)) – submitted its report in October 2008. In addition, the committee's work drew on the advice of two consultants in the field of financial risk and operational performance analysis. Consultations were held with the members of the Governing Board and the Administrative Council on two occasions. The committee also met Terry Davis, then Secretary General of the Council of Europe, Rainer Steckhan, Chairperson of the CEB Administrative Council, and Lars Kolte, then Chairperson of the CEB Governing Board.

33. The report entitled "CEB strategic review – Contributing to a socially cohesive and sustainable Europe in the 21st century" presents a study on CEB development since its creation and makes recommendations for its future activities in the form of a medium- to longer-term strategy. Whilst the economic hardship caused by the global financial crisis has accentuated the need for more social investment, it has also triggered a general reflection on ways to improve the regulation of the banking sector. As far as the CEB is concerned, the report

proposes several directions for action in the context of a changing working environment. They concern the Bank's mandate, relations with the Council of Europe, the financial framework, relations with other financial institutions and international organisations, operational performance and governance.

34. Regarding the CEB's mandate, the report proposes to focus on four core areas, notably (1) promoting social cohesion and inclusive economic growth; (2) supporting environmentally sound investment in infrastructure and projects helping to prevent or deal with the effects of natural disasters; (3) assisting the development of human capital through projects for health care and education sectors (including in disadvantaged areas); (4) strengthening democracy, human rights and the rule of law through investment in judicial and civil service training institutions and judicial infrastructure.

35. Relations with the Council of Europe are deemed to be at the core of the Bank's identity. In this respect, the Strategic Review recommends the clarification of roles of the CEB's owners and the executive-administrative bodies in terms of responsibility and accountability. Greater ministerial participation in the Bank's work should be encouraged as a means of promoting the visibility of its action, priorities and values. The CEB and the Council of Europe could intensify efforts to identify "bankable" pilot projects and to make savings in streamlining the "interface" secretariat functions. Moreover, the Bank's Governor is urged to hold meetings once a year with the Committee of Ministers, the Parliamentary Assembly and the Secretary General of the Council of Europe to inform them about the Bank's action.

36. Concerning the financial framework, the report sees a limited scope for increased lending to the target countries in the near future without a capital increase and without threatening the Bank's AAA rating. The CEB's cautious approach to credit risk management could further be improved with a more explicit assessment of all types of financial and operational risk using the best practices of its peers.

37. In its relations with other financial institutions and international organisations, the CEB is invited to further seek the complementary action and closer co-ordination with European institutions, such as the European Union, European Investment Bank (EIB), EBRD and NIB, in particular under joint programmes and projects for the benefit of the target countries. The CEB's co-operation with other international partners should emphasise operations for addressing the causes and consequences of international migration.

38. The Eminent Person's report attaches special importance to the measurement of the value-added and the development impact of the Bank's action. It therefore underscores the importance of permanent dialogue and strategy work with the Bank's clients, including, where appropriate, a local presence – even if such an approach may generate extra operational costs. A combination of thematic specialisation, new lending instruments, technical assistance and institutional learning should guide the quest for excellence, enhanced efficiency and lasting results.

39. Concerning the governance aspect, the report notes that the current structure and distribution of functions at the CEB differ considerably from the generally accepted governance arrangements of other multilateral development banks. Significant institutional improvements are thus called for to clarify the functions and responsibilities of the Bank's supervisory, executive and management bodies. As part of the streamlining process, it is proposed to involve ministers in the annual meetings of the Governing Board, raise the requirements for the political profile of candidates to the position of Chairperson of the Governing Board, establish a Board of Directors with reduced yet balanced membership and eliminate dual representation on governing and executive bodies.¹¹

40. A series of recommendations have also been made in the Strategic Review proposing to enhance – both externally and internally – the functions of the Governor by making him/her the highest official representative of the Bank ("the President"), with all other officials becoming accountable to him/her.

41. Further to the presentation of the Eminent Persons' report, in November 2008, the CEB's Governing Board instructed the Governor to prepare a plan of action with a view to implementing the recommendations and putting in place the accompanying measures. This process runs in parallel with the shaping of the Bank's development plan for the coming five years. Thus, the Development Plan for 2010-14 was finalised and approved in November 2009. Together, these two documents form a sort of road map for the Bank's future.

42. The CEB's Development Plan for the period 2010-2014 builds on the results of earlier years and counts on a fragile economic recovery in Europe, accompanied by higher unemployment and greater social needs, especially in central and South-Eastern European countries. Three long-term trends – population ageing, higher cost of energy and increasing financial needs of local authorities – are expected to affect all CEB client

11. This is currently the case with Liechtenstein and Malta.

countries. The Bank therefore plans to increase its lending volume by 15%, further enhance support to the target group of countries so that the loans outstanding for this group would represent 60% of the total by 2014, boost lending to social infrastructure projects and strengthen co-operation with the European Union and donor countries on project implementation. These objectives might further be revised if a capital increase is decided in 2010.

43. Just as the rapporteur started his work on this report, he learned of the sudden resignation of the Chairperson of the Governing Board, Mr Lars Kolte, at the Governing Board's meeting on 27 November 2009. Mr Kolte's resignation letter was very critical of the recent developments in the strategic direction of the Bank and the effective distribution of influence between the Governing Board and the Governor. It drew attention to the mismatch between "the size of the portfolio, driven by some high quality borrowers", and the need to focus more on the neediest countries in order to enhance the "quality of the lending purpose". Mr Kolte also suggested that the CEB should be more visible "not only to the borrowers but to the public of Europe which in effect constitutes the shareholders", "co-operation with like-minded institutions operating in Europe should be greatly enhanced" and efforts should be made to overcome "a control and dominance culture" at the Bank.

44. The rapporteur was able to discuss some points raised directly with Mr Kolte. He understands that the criticism expressed was aimed at stimulating discussion on how the Bank could enhance the quality and impact of its work and live up to Council of Europe member states' expectations, especially in these economically challenging times.

45. During his fact-finding visit to the CEB's services in Paris, the rapporteur received several technical files from the Governor in response to the criticism expressed in Mr Kolte's letter. These documents underscore the management's commitment to implementing the Governing Board and the Administrative Council's guidelines and decisions, notably as regards the development and the reorientation of the CEB's activity. The files point to the continuity of the Bank's action to boost support for the target group of countries with a view to reaching 60% of total disbursements over the period 2010-2014, a "vital role [of projects in western Europe] in the balancing of risks on the loan portfolio", numerous co-operation agreements with the international institutions, an accelerated calendar for adopting reform proposals and an emphasis on "targeted" communication, given the limited means available. Admittedly, there were disagreements between Mr Kolte and the management over the dynamics and, to some extent, the direction of the changes regarding the Bank's future orientations, portfolio structure and institutional set-up, but in any case the policies decided by the Governing Board and the Administrative Council were nevertheless implemented by the management under the supervision of the collegial bodies.

46. The CEB has never refused to support eligible projects, but more could be done to technically assist potential borrowers in poorer and newer member states. More resources for technical assistance could be directed towards these countries and could be made available in general if the member states decided to increase the Bank's capital. It is true that the CEB's website has been modernised and continuously enriched and signs posted on project sites. However, there is much room for improvement, such as by publishing basic information on the Bank's "mission, projects and operating principles for the attention of the general public in the languages of the target group of countries", which was proposed in Parliamentary Assembly [Recommendation 1818 \(2007\)](#), and in reviewing the attitude that "the Bank's shareholders are the member states, not public opinion", which runs counter to the aim of enhanced transparency and accountability vis-à-vis European taxpayers.

47. The rapporteur appreciates the opportunity to have been able to take part in the Joint Meeting of the CEB's Governing Board and Administrative Council in Rome (Vatican) on 11 June 2010. He noted significant difficulties in the dialogue between the Administrative Council and the Governing Board towards reaching an agreement on how to implement the reform of the CEB's governance, means of action and strategic orientation further to the recommendations made by the Committee of Eminent Persons in the CEB Strategic Review report. Moreover, there is also a continuing deadlock over the election of the Chairperson of the Governing Board, which is likely to persist over the coming months. This testifies to the urgent need to improve the process of decision making at the Bank.

5. Follow-up to earlier Parliamentary Assembly texts

48. Various Assembly texts were referred to the CEB over the period 2007-2009. They concern:

Comments on the CEB's work:

- [Recommendation 1818 \(2007\)](#) on the activities and orientations of the Council of Europe Development Bank, on the basis of a report by the Committee on Economic Affairs and Development ([Doc. 11306](#)), and opinion presented by the Committee on Migration, Refugees and Population ([Doc. 11358](#)). See also the reply by the Committee of Ministers ([Doc. 11622](#)).

The situation of migrants, internally displaced persons and refugees:

- [Recommendation 1802 \(2007\)](#) on the situation of long-standing refugees and displaced persons in South-Eastern Europe: the Assembly calls on the CEB to step up its co-operation with the countries in the region with a view to financing more projects regarding refugees and IDPs through loans, the Selective Trust Account funding and specific grants in co-operation with the UNHCR.
- [Recommendation 1806 \(2007\)](#) on the activities of the International Organization for Migration (IOM): the Assembly urges the CEB to study the possibility of co-funding feasibility studies (trust funds) and joint projects with the IOM, in particular in order to ease irregular migration pressures through job-creating projects, including by the use of micro-credit schemes.
- [Resolution 1633 \(2008\)](#), [Resolution 1648 \(2009\)](#) and [Resolution 1664 \(2009\)](#) on the consequences of the war between Georgia and Russia: the Assembly invites the CEB to consider action with a view to assisting refugees and displaced persons, as well as contributing to reconstruction in the areas affected, including South Ossetia and Abkhazia.
- [Resolution 1637 \(2008\)](#) on Europe's boat people: mixed migration flows by sea into southern Europe: the Assembly calls on Mediterranean member states of the Council of Europe to make full use of the opportunity for loans from the CEB for creating the necessary permanent reception structures for receiving irregular migrants, asylum seekers and refugees.
- [Recommendation 1862 \(2009\)](#) on environmentally induced migration and displacement: the Assembly invites the Committee of Ministers to give priority to the actions of the CEB that contribute to protecting and improving the environment, especially projects in response to urgent needs and to sustainable preventive action on environmental deterioration with a long-term perspective.
- [Recommendation 1877 \(2009\)](#) on Europe's forgotten people: protecting the human rights of long-term displaced persons: the Assembly calls on the CEB to step up its co-operation with the member states concerned with a view to financing more projects regarding returning refugees and internally displaced persons.

Relations with the Council of Europe:

- [Recommendation 1812 \(2007\)](#) on the political dimension of the Council of Europe budget: the Assembly urges the Committee of Ministers, in its composition confined to the member states of the CEB, to amend the Articles of Agreement of the CEB so as to allow it to make financial contributions to programmes of activities in the Bank's fields of action corresponding to the priorities defined at the Warsaw Summit and to provide for the possibility of the CEB granting the Council of Europe loans on advantageous terms for certain investment expenses.
- The Ministers' Deputies replied ([Doc. 11689](#)) by referring to comments from the CEB's Governing Board where the Bank explained its work by underscoring efforts to finance "the development of social projects identified ... by the Council of Europe, without the borrower being the Council of Europe itself". It also drew attention to the creation, in partnership with the Council of Europe, of a Human Rights Trust Fund sponsored by the Norwegian Government and the exceptional nature of making a staff member available to the Office of the Commissioner for Human Rights.
- Reply from the Committee of Ministers to [Recommendation 1764 \(2006\)](#) on the implementation of judgments of the European Court of Human Rights ([Doc. 11230](#)): the Ministers' Deputies feel that "the idea of using the Council of Europe Development Bank (CEB) in order to facilitate, through its own means of action, the implementation of the Court's judgments revealing important systemic problems also deserves careful consideration".

Economic co-operation and development:

- [Recommendation 1810 \(2007\)](#) on honouring of obligations and commitments by Moldova: the Assembly invited the Committee of Ministers, the member states of the Council of Europe and the CEB to actively co-operate within the framework of the European Neighbourhood Policy of the European Union, and to support further economic and social reform in Moldova.
- [Doc. 11215](#) (report on the state of human rights and democracy in Europe) makes reference to the CEB's social housing programmes and [Doc. 11432](#) (report on gender equality principles in the Parliamentary Assembly) makes reference to gender balance issues in various institutions, including the CEB;
- [Resolution 1672 \(2009\)](#) on the activities of the European Bank for Reconstruction and Development (EBRD) in 2008: reinforcing economic and democratic stability: the Assembly urges the EBRD and the CEB to improve their co-operation by studying the possibility of preparing and implementing joint projects in member countries where both banks are active.

49. The rapporteur notes that modest amounts of the Bank's financing in the last few years directly concerned aid to refugees, migrants and displaced populations. This could in part be explained by the fact that the Bank's member states focused on applying for projects that benefit more broadly the vulnerable segments of the population, especially those with low income. More specifically, in the case of Georgia, the country's absorption capacity for CEB-type financing is low and good use of CEB funds – in line with the strict control requirements – cannot be ensured at this stage. Other countries in the region face similar problems. Regrettably, project activity in Moldova in recent years was meagre.

50. Regarding the relations between the CEB and the Council of Europe, the rapporteur feels that members of the CEB's Governing Board (who also sit in the Committee of Ministers) should take more into account the proposals of the Assembly contained in [Recommendation 1812 \(2007\)](#), especially in the light of the Council of Europe reform and the CEB's strategic review. The Bank could consider putting at the Council of Europe's disposal some of its expertise in fund investment with a view to helping the Organisation to better fructify the resources being accumulated in a pension reserve fund.

51. Furthermore, the rapporteur believes that the Bank could do more to help the CEB's member states to implement the judgments of the European Court of Human Rights and to ensure better follow-up to the advisory opinions of the Council of Europe Commissioner for Human Rights. This could be done by increasing the CEB's portfolio for "the strengthening of democracy, human rights and the rule of law through projects in the field of judicial and civil services and infrastructure".

6. The Bank's co-operation with other institutions

52. Against the backdrop of economic crisis, the importance of international co-operation and the role of multilateral development banks come to the fore. The CEB has a number of long-standing co-operation arrangements with other financial institutions and international organisations, such as the European Union (including its financial arm – the European Investment Bank), the European Bank for Reconstruction and Development (EBRD), the Nordic Investment Bank (NIB) and the World Bank Group (including the International Finance Corporation (IFC)).

53. A special tripartite agreement binds the CEB with the European Commission and the Kreditanstalt für Wiederaufbau (KfW) for the co-financing of projects on development of small and medium-sized enterprises and of municipal authorities in the CEB's target countries. Yet another arrangement with the European Commission and the EIB facilitates the realisation of urban development projects under the JESSICA programme (Joint European Support for Sustainable Investment in City Areas). The CEB's Development Plan for 2010-2014 foresees closer interaction with the European Union and donor countries in order to optimise project implementation conditions. Further to the favourable conclusion of the Four-Pillar Compliance Assessment of the CEB by the European Commission, the CEB will soon be in a position to disburse funds on behalf of the European Union. Overall, by the end of 2009, the European Union had allocated €238 million in grants to projects financed by the CEB and thus facilitated loans worth €785 million.

54. In 2007, the CEB entered a partnership with the European Commission and several international financial institutions for more active involvement in eastern Europe, the southern Caucasus, Russia and Central Asia. Moreover, in October 2009, the CEB, the European Commission, several international financial institutions (such as the EIB and the EBRD) and European Union member states agreed on the creation of the Western Balkans Investment Framework, which will function as a joint grant and lending facility for the

preparation and implementation of priority projects in Albania, Bosnia and Herzegovina, Croatia, Montenegro, Serbia, and “the former Yugoslav Republic of Macedonia”. Kosovo is also covered by this initiative in line with United Nations Security Council Resolution 1244. It is foreseen that this facility should serve as a single entry point for both the submission of projects by the countries concerned and the selection of projects by financiers. Whilst the European Commission has already earmarked about €110 million for the facility, the EIB and the EBRD will make available about €1 billion for project loans and, together with the CEB, each pledged €10 million in technical assistance and/or grant support in their respective fields of competence. The Western Balkans Investment Framework was officially launched in December 2009. Moreover, the CEB is party to the European Union’s Neighbourhood Investment Facility Agreement for co-ordinated action of the European Commission, the EIB, the EBRD and the CEB in favour of eligible countries.

55. In spring 2009, the CEB was unable to join, ostensibly for statutory reasons, the action of the international financial institutions (EIB, EBRD, IMF and IFC) and western European banking groups in the so-called Vienna Initiative (for Co-ordination of European Banks) aimed at supporting the financial stability of the banking sector in those central and eastern European countries (Hungary, Latvia, Romania, Bosnia and Herzegovina and Serbia) that urgently needed macroeconomic stabilisation measures and financial assistance. Furthermore, the Bank did not wish to put its relatively scarce resources into the rescue of the banking sector, but rather through this sector invest in social projects. The role of the CEB is in this regard different from other IFIs.

56. The CEB has also established close working contacts with several United Nations agencies, namely the UNHCR (Office of the United Nations High Commissioner for Refugees), the UNDP (United Nations Development Programme) and UNICEF (United Nations International Children’s Emergency Fund). In 2007 and 2008, the Bank concluded Memoranda of Understanding on co-operation with, respectively, the UNDP and the UNHCR.¹² These partnerships proved particularly useful for managing the CEB’s donations which totalled €1.73 million in 2008 and which were assigned to projects in Bosnia and Herzegovina, Georgia, Moldova and Serbia.

7. Challenges for future work

57. Despite its 40-country-strong membership, the CEB remains a relatively small, although highly relevant, player on the European scene. The CEB’s main partners from among the key multilateral development banks based in Europe – the EBRD and the EIB – all have a far larger subscribed capital¹³ and a higher volume of loan activities. In fact, in May 2010 the EBRD approved a very significant increase in its capital (by €10 billion, or 50%) in order to better respond to the increased needs of its client countries.

58. The CEB has a huge potential but follows a conservative banking approach that slows the pace of progress in its drive for greater involvement in non-European Union target countries, where the added value of its contribution to development would be greatest.¹⁴ With the ongoing review of the Bank’s strategic orientation, the opportunity could be seized to make the CEB’s action programme and development plan more ambitious. Increasing the CEB’s capital is crucial for enhanced action in favour of the most vulnerable countries without calling into question the Bank’s financial solidity.¹⁵

59. On the basis of existing co-operation agreements, the CEB could enhance its project co-financing capabilities and risk-taking capacity by sharing costs, practices, competences, experience and risks with other IFIs and multilateral development banks active in the CEB’s priority client countries. The Bank’s member states should ensure that the Bank’s capital adequacy is in line with the projected level and volume of future activities by launching a new capital increase in 2010. This is particularly important in seeking to combine the aims of a more generous volume of project financing and adequate risk management in the context of budgetary austerity and the downgrading of the credit rating of the Bank’s neediest clients, in particular in the target group of countries.

12. A similar agreement was concluded with UNICEF in 2006.

13. These banks – the EBRD and the EIB – have, respectively, €30 billion (as from 15 May 2010) and €165 billion in subscribed capital (in comparison with €3.4 billion of the CEB).

14. Conservative banking policy has enabled the CEB to navigate through two crises while maintaining its financial stability (AAA) and reaching, sometimes even exceeding, its development plan targets.

15. For one euro of capital, the CEB currently lends 3.7 euros. This is very high leverage in comparison to the EIB (2.1), the EBRD (1.3) and the World Bank (0.6).

60. Enhanced continuity of participation through the Bank's involvement in a series of projects could increase the added value of its contribution. Thus, in the framework of follow-up to and the accompaniment in the realisation of projects, the CEB could initiate new related projects. For instance, after participating in the building or rehabilitation of a hospital, the Bank might consider investing further in the acquisition of medical equipment and the related training of the personnel.

61. The CEB is the oldest yet the least known multilateral development bank in Europe. There is much scope for it to enhance its visibility. The CEB could take better advantage of the Council of Europe's mainstream activities and field offices in order to generate more projects in the most disadvantaged member states.

62. The ongoing CEB strategic review is both a challenge and an opportunity for the member states to streamline the Bank's operation. As these lines are written, there is a deadlock among the financial and political representatives of the Bank's member states over the key reform proposals. It is therefore particularly necessary for the Assembly to play its role as a democratic watchdog and to urge the Bank's member states to reaffirm their commitment to the CEB as a unique bank with a social vocation – and ambition – for greater solidarity in the greater Europe.

Appendix – Tables presenting key figures on CEB activities, an overview of project activity for 2007-2009 and top officials since 1993

Table 1: Key figures on CEB activities, in million euros; data for the end of each year

	2006 ¹⁶	2007	2008	2009
Loans disbursed during the year	1 640	1 590	1 505	1 806
of which in target countries	804	671	1 059	1 400
Projects approved during the year (volume)	2 460	2 414	1 861	2 665
of which in target countries	1 968	1 191	1 200	1 385
Loans disbursed since inception	25 032	26 622	28 127	29 933
Loans outstanding	11 965	12 007	12 423	12 198
Own funds (after allocation of profits)	4 692 ¹⁷	4 754	4 718	4 887
Subscribed capital	3 294	3 303	3 303	3 303
Paid-in capital	368.6	369.7	369.7	369.7
General reserve	1 316	1 401	1 490	1 586
Profit	88.1	93.3	95.8	107.0
Selective Trust Account (available at 31.12)	23.2	26.1	26.4	28.7

Table 2: CEB projects approved by sector (2007-2009), in thousand euros

Sector	2007, amount and %		2008, amount and %		2009, amount and %	
Social cohesion	1 276 950	55.6	1 226 062	65.9	1 293 430	48.6
– Aid to refugees, migrants and displaced populations	-	-	-	-	27 000	1.0
– Social housing	661 500	27.4	76 020	4.1	470 350	17.7
– Job creation	401 000	16.6	900 920	48.4	323 000	12.1
– Urban and rural modernisation	154 450	6.4	244 972	13.2	473 080	17.8
– Infrastructure for administrative and judicial public services	60 000	2.5	4 150	0.2		
Managing the environment	810 273	33.6	322 592	17.3	395 492	14.8
– Natural disasters and preventive action	26 000	1.1	34 000	1.8	2 696	0.1
– Protection of the environment	765 523	31.7	276 804	14.9	389 796	14.6
– Protection and restoration of cultural heritage	18 750	0.8	11 788	0.6	3 000	0.1
Developing human capital/public infrastructure with social vocation¹⁸	326 500	13.5	312 146	16.8	975 928	36.6
– Education and vocational training	164 500	6.8	200 872	10.8	715 678	26.8
– Health	162 000	6.7	111 274	6.0	234 750	8.8
– Infrastructure for administrative and judicial public services*					25 500	1.0
Total	2 413 723	100.0	1 860 800	100.0	2 664 850	100.0

16. In accordance with the International Financial Reporting Standards.

17. Adjusted.

18. In line with the [Resolution 1522 \(2009\)](#) of the Governing Board, this sectoral line of action is now labelled as “Supporting public infrastructure with social vocation” and includes the sub-sector “Infrastructure of administrative and judicial public services”.

Table 3: CEB loans approved by country (2007-2009), in thousand euros; target countries are marked in italic and biggest amounts in bold

Country	2007, amount and %		2008, amount and %		2009, amount and %	
<i>Albania</i>	16 000	0.7	10 000	0.6	40 000	1.5
Belgium	-	-	-	-	100 000	3.7
<i>Bosnia and Herzegovina</i>	60 000	2.5	50 000	2.7	19 300	0.7
<i>Bulgaria</i>	-	-	30 000	1.6	15 000	0.6
<i>Croatia</i>	-	-	50 000	2.7	50 000	1.9
<i>Cyprus</i>	122 523	5.1	-	-	68 000	1.6
<i>Czech Rep.</i>	45 000	1.9	-	-	50 000	1.9
Denmark	100 000	4.1	-	-	-	-
<i>Estonia</i>	-	-	35 000	1.9	-	-
Finland	175 000	7.2	-	-	100 000	3.8
France	350 000	14.5	100 000	5.4	100 000	3.8
Germany	246 000 ¹⁹	10.2	15 400 ²⁰	0.8	408 500 ²¹	15.3
<i>Hungary</i>	180 000	7.5	259 000	13.9	190 000	7.1
Iceland	174 000	7.2	50 000	2.7	-	-
Ireland	-	-	110 000	5.9	100 000	3.8
Italy	152 000 ²²	6.3	200 000 ²³	10.7	-	-
<i>Latvia</i>	-	-	100 000	5.4	50 000	1.9
<i>Lithuania</i>	10 000	0.4	-	-	130 000	4.9
<i>Moldova</i>	-	-	14 000	0.8	-	-
<i>Poland</i>	279 700	11.6	395 000	21.2	275 600	10.3
Portugal	-	-	265 000	14.2	300 000	11.3
<i>Serbia</i>	50 000	2.1	-	-	-	-
<i>Slovenia</i>	20 000	0.8	30 000	1.6	50 000	1.9
Spain	95 000	3.9	135 000	7.3	200 000	7.5
Sweden	109 000	4.5	-	-	100 000 ²⁴	3.7
<i>"The former Yugoslav Republic of Macedonia"</i>	12 500	0.5	12 000	0.6	48 350	1.8
<i>Turkey</i>	217 000	9.0	-	-	270 100	10.1
Total	2 413 723	100	1 860 800	100	2 664 850	100

19. Including €146 million for the final benefit of target countries.

20. For the final benefit of target countries.

21. Including €285 million for the final benefit of target countries.

22. Including €32 million for the final benefit of target countries.

23. For social infrastructure in the Baltic states (Estonia, Latvia and Lithuania).

24. For the final benefit of target countries.

Table 4: CEB capital/votes allocation and loans outstanding by member state, in thousand euros

Member state	Subscribed capital/ votes	Loans outstanding (volume and %)	
Germany	549 692	660 856 ²⁵	5.42
France	549 692	1 264 185	10.36
Italy	549 692	1 157 932 ²⁶	9.49
Spain	358 504	1 605 783	13.16
Turkey	233 077	647 747	5.31
Netherlands	119 338	-	-
Belgium	98 634	93 332	0.77
Greece	98 634	343 485	2.82
Portugal	83 538	431 098	3.53
Sweden	83 538	227 276 ²⁷	1.86
Poland	76 988	955 900	7.84
Switzerland	53 824	-	-
Denmark	53 824	303 333	2.49
Norway	41 889	126 500	1.04
Finland	41 889	707 875	5.8
Bulgaria	37 491	75 442	0.62
Romania	35 963	632 513	5.19
Ireland	28 998	116 554	0.96
Hungary	26 884	1 083 812	8.88
Czech Republic	25 833	28 042	0.23
Luxembourg	20 849	-	-
Serbia	15 511	57 993	0.48
Croatia	12 831	256 536	2.1
Cyprus	11 934	560 152	4.59
Slovak Republic	11 380	22 889	0.19
Albania	8 034	54 842	0.45
Latvia	7 688	187 213	1.53
Estonia	7 637	3 745	0.03
"The former Yugoslav Republic of Macedonia"	7 637	34 209	0.28
Lithuania	7 556	56 211	0.46
Slovenia	7 380	113 373	0.93
Iceland	6 089	196 482	1.61
Malta	6 089	88 350	0.72
Georgia	5 928 + 164*	-	-
Bosnia and Herzegovina	5 816	94 352	0.78
Montenegro	3 952 + 109*	-	-
Moldova	3 294	9 013	0.07
San Marino	2 921	1 278	0.01
Liechtenstein	2 921	-	-
Holy See	82	-	-
Total (at the end of 2009)	3 303 450 + 273*(payable)	12 198 303	100

25. Of which €261.25 million for the final benefit of target countries.

26. Of which €545.9 million for the final benefit of target countries.

27. Of which €100 million for the final benefit of target countries.

Table 5: The CEB's top officials since 1993**Governors (renewable term of five years)**

	Election/re-election date	Mandate
Mr Raphaël Alomar (France)	15.9.2005	18.12.2006 to 17.12.2011
	27.2.2001	18.12.2001 to 17.12.2006
	18.6.1996	18.12.1996 to 17.12.2001
	17.12.1993	18.12.1993 to 17.12.1996
Mr Roger Vanden Branden (Belgium)	26.2.1990	1.1.1991 to 18.12.1993 (resigned)

Vice-Governors (renewable term of five years)

	Election/re-election date	Mandate
Mr Nunzio Guglielmino (Italy)	27.11.2009	1.11.2010 to 31.10.2015
	10.12.2004	1.11.2005 to 31.10.2010
	17.12.1999	1.6.2000 to 1.6.2005
Mr Imre Tarafas (Hungary)	30.3.2007	2.5.2007 to 1.5.2012
Mr Apolonio Ruiz Ligeró (Spain)	15.9.2005	18.12.2006 to 17.12.2011
	19.6.2001	18.12.2001 to 17.12.2006
Mr Krzysztof Janusz Ners (Poland)	19.6.2001	18.12.2001 to 17.12.2006 (deceased 2.9.2006)
Mr Martin Murtfeld (Germany)	18.6.1996	18.12.1996 to 17.12.2001
	30.9.1994	18.12.1993 to 17.12.1998
Mr Ignacio Garrido (Spain)	18.6.1996	18.12.1996 to 17.12.2001

Chairpersons of the Governing Board (three-year term renewable once)

	Election/re-election date	Mandate
Mrs Margaret Hennessy (Ireland) (Vice-Chair) (Chair <i>ad interim</i>)	27.11.2009	1.1.2010 to 26.11.2010
Mr Joseph Licari (Malta) (Vice-Chair)	27.11.2009	27.11.2010 to 26.11.2011
Mr Lars Kolte (Denmark)	14.6.2008	10.12.2008 to 9.12.2011
	9.12.2005	(resigned on 1.1.2010) 10.12.2005 to 9.12.2008
Mr Charles Ghislain (Belgium) (Vice-Chair) (Chair <i>ad interim</i>)	-	28.6.2005 to 8.12.2005
Dr Orhan Güvenen (Turkey)	8.4.2002	28.6.2002 to 27.6.2005
Mr Kari Nars (Finland)	14.12.1998	28.6.1999 to 27.6.2002
Mrs Magdalena Tovornik (Slovenia) (Vice-Chair) (Chair <i>ad interim</i>)	-	1.4.1999 to 27.6.1999
Mr Giorgio Ratti (Italy)	18.3.1996	1.4.1996 to 31.3.1999
Mrs Marie-Louise Overvad (Denmark) (Vice-Chair) (Chair <i>ad interim</i>)	-	1.1.1996 to 1.4.1996
Mr Romeo Dalla Chiesa (Italy)	17.12.1993	20.12.1993 to 19.12.1996 (resigned on 31.12.1995)
Ms Paule Dufour (France)	20.12.1990	20.12.1990 to 19.12.1993

Chairpersons of the Administrative Council (three-year term renewable once)

	Election/re-election date	Mandate
Mr Rainer Steckhan (Germany)	28.3.2008	28.6.2008 to 27.6.2011
	1.4.2005	26.6.2005 to 27.6.2008

	Election/re-election date	Mandate
Mr Heinrich Harries (Germany)	8.4.2002	28.6.2002 to 27.6.2005
	28.6.1999	28.6.1999 to 27.6.2002
Mr Kari Nars (Finland)	18.6.1996	1.1.1997 to 31.12.1999
	17.12.1993	(resigned on 28.6.1999) 1.3.1994 to 31.12.1996
Mr Siegfried Fröhlich (Germany)	10.1.1991	1.1.1991 to 31.12.1993