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

Reply to Recommendation¹: Recommendation 1937 (2010)
Committee of Ministers

1. The Committee of Ministers has examined with interest Parliamentary Assembly [Recommendation 1937 \(2010\)](#) on “The strategy, governance and functioning of the Council of Europe Development Bank”. It has brought the recommendation to the attention of member states’ governments and transmitted it to the Council of Europe Development Bank (CEB) and to the European Co-ordination Forum for the Council of Europe Disability Action Plan 2006-2015 (CAHPAH), the comments of which have largely contributed to this reply.
2. In response to the various recommendations enumerated in the Assembly’s text, the Committee of Ministers would inform the Assembly of the following:
3. Points 11.1.1. to 11.1.5: As regards points 11.1.1. to 11.1.5., the CEB is currently examining the governance issues in the framework of its Strategic Review on the basis of the recommendations of the report on the CEB by the Group of Eminent Persons. The results of this exercise will be reported in due time.
4. Point 11.1.6.: The Ex-Post Evaluation Department (DEP) Director addresses an annual activity report to the Governor, who transmits it to the Administrative Council and the Governing Board. The DEP Director specifically participates in those meetings of the aforementioned organs where said activity report is tabled.
5. Point 11.2.1.: The possible transfer of some secretarial functions from the Secretariat of the Partial Agreement to the CEB services in Paris could be reviewed in the context of the overall reforms at the Council of Europe.
6. Point 11.2.2.: The CEB regularly attends Ministerial Conferences (in particular on social cohesion, health, cultural heritage, spatial/regional planning) and high-level meetings of the Council of Europe in order to provide information to the decision makers on the possibilities for financing. The CEB also participates in meetings of Council of Europe Steering Committees. Within the context of the regular project related work between the CEB services and the Secretariat of the Partial Agreement on the CEB (in charge of the preparation of the Admissibility Opinions of the Secretary General on the projects), meetings were organised, in particular, on projects in the new sector of action “Infrastructure of administrative and judicial public services”. These were attended by CEB representatives and the competent services of the Council of Europe and proved to be useful in the preparation of projects aimed at the refurbishment and construction of prisons, adopted in favour of Bosnia and Herzegovina, “the former Yugoslav Republic of Macedonia” and Ireland.
7. Contacts between the Special Representatives of the Secretary General and the CEB representatives travelling to different countries were also intensified so as to provide exchange of information on the situation in the field. In addition, representatives of the CEB and of the Secretariat of the Partial Agreement CEB make regular presentations on the possibilities for financing offered by the CEB to the relevant Council of Europe bodies.

1. adopted at the 1110th meeting of the Ministers’ Deputies (30-31 March 2011)



8. Point 11.2.3: The Committee of Ministers has taken note of the readiness of the CEB to provide expertise to the Management Committee of the Pension Reserve Fund, and assist the Council of Europe in defining the investment policy of the Fund's assets. In this respect it notes that the expertise of the CEB on financial matters relate for the most part to first category bonds which constitute its major investment and placement instrument. Any consulting activity of CEB would thus be limited to this type of mechanism.

9. Point 11.2.4: The Committee of Ministers has noted with satisfaction that the CEB now counts 40 member states. It would encourage those member states which are not yet members of the Partial Agreement to consider accession.

10. Point 11.2.5: The Committee of Ministers is aware of the fact that the CEB is a powerful instrument for providing adjustments required for the integration of persons with disabilities in society. It has noted that in the period 2007-2010, the CEB approved 19 projects (eight of which in Target Group countries²) in the sectors of health, education and social housing with specific sub-projects devoted to initiatives for people with disabilities.

11. The Council of Europe Disability Action Plan 2006-2015 (Recommendation Rec(2006)5 of the Committee of Ministers to the member states) recommends the CEB to member states' governments as one of the tools they could use to implement the Plan's provisions. Recommendation CM/Rec(2010)2 of the Committee of Ministers to member states on deinstitutionalisation and community living of children with disabilities indicates the types of projects that should be funded and the types of projects for which funding should be avoided, where disabled children are concerned. This recommendation was transmitted to the CEB and is duly taken into consideration.

12. The CEB has taken steps to familiarise delegates of the member states with the Bank, its requirements and conditions and the procedure for granting loans. In order to build its potential as a financial body geared to social and inclusive action, the Bank has also participated in several conferences in this area, including the Disability Action Plan launch conference in St Petersburg, September 2006, and the mid-term review conference in Istanbul, December 2010. The Committee of Ministers has noted with satisfaction that at present six countries have used or will use CEB funding for projects connected with the Disability Action Plan, whilst others are still considering such action.

13. Point 11.3.1: The outstanding of indirect loans through intermediary banks (also called transit loans) is progressively decreasing: as of 30 September 2010, it represented 861 million Euros, i.e. 7.2% of the total loan outstanding, down from its peak reached end of 2009 at 907 million Euros. In addition, the demand originating from intermediary banks in favour of their subsidiaries in target group countries has fallen dramatically with the banking and financial crisis. Besides, as the majority of the residual demand corresponds to refinancing needs rather than new investment projects, it is not eligible for CEB financing. As to the financing conditions applied by the intermediaries, close attention is paid to this aspect, not only upstream during the instruction process but also downstream when monitoring the implementation of the project.

14. Point 11.3.2: The CEB promotes the replication of high value added projects in its sectors of action, whenever feasible. In this regard, the development of a specific expertise and a capacity to learn lessons from its activity is essential to support this objective. Currently, based on its expertise, the CEB is preparing and developing a number of projects in target group countries in the sector of infrastructure of administrative and judicial public services. Beyond this, the CEB also pursues this objective for the benefit of target group countries, in co-ordination with the European Commission, in the sector of urban renewal (Jessica initiative) and in energy efficiency.

15. Finally, upon completion of a series of ex-post evaluations in a given sector of intervention of the CEB, the Ex-Post Evaluation Department prepares a synthesis of the said evaluation reports which draws together the lessons learned and formulates recommendations pertaining to the CEB's interventions in the given sector. This helps fostering high value added projects' replication in the CEB's countries of intervention.

16. Point 11.3.3: When initiating the appraisal or instruction of a complex project, the CEB encourages a phased approach, on the one hand, in order to facilitate its design and its monitoring but also, on the other hand, to ascertain the absorption capacity of the borrower. This has been the case in strategic sectors of intervention such as the health sector and for major reconstruction projects related to the mitigation or prevention of natural disasters.

2. States concerned: Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Moldova, Montenegro, Poland, Romania, Serbia, Slovakia, Slovenia, "The former Yugoslav Republic of Macedonia" and Turkey.

17. It should also be noted that, for projects financed through different international financial institutions (IFIs) – as it is encouraged in the Western Balkans Investment Framework, cooperation/coordination with other IFIs is essential in order to maximise the respective impact of the different stakeholders. As already mentioned under 11.3.2, lessons learned from ex-post evaluation reviews is a useful tool to enhance the continuity and impact of the CEB's intervention.

18. Point 11.3.4: As requested in the Action Plan following the 2005 Warsaw Summit, the CEB is also working in the new sector of action "Infrastructure of administrative and judicial public services" and has adopted loans for a total of €190 million in favour of the refurbishment and construction of prisons, namely in Bosnia and Herzegovina and "the former Yugoslav Republic of Macedonia" as well as in Ireland. The CEB also works in this area through the Human Rights Trust Fund which aims to support Council of Europe member states in respecting the European Convention on Human Rights and other Council of Europe human rights instruments. This Fund, co-financed by the governments of Norway, Germany, the Netherlands and Finland, has financed grants to five projects for a total amount of €3.2 million.

19. Point 11.3.5: The CEB provides technical assistance for the preparation of project feasibility studies, both through its own funds as well as through two Trust Accounts established for that purpose.

20. The Norway Trust Account (NTA), set up at the end of 2003 on the initiative of the Norwegian authorities, had enabled support for 34 initiatives totalling €2.8 million in a number of different eligible sectors. Fifty-nine percent of the NTA resources allocated were used for direct support to CEB projects, either for preparatory or feasibility studies or to strengthen the implementation capacity of the institution or ministry in charge of the project in the beneficiary country.

21. Since 2009, the CEB also uses the Spanish social cohesion account, set up on the initiative of the Spanish authorities, and which is used, more specifically, to finance technical assistance in favour of CEB projects, mainly in the 21 Central, Eastern and South-Eastern European countries that constitute its target group.

22. Point 11.3.6: In terms of corporate communication, the CEB tries to promote the principle of transparency while keeping in consideration its very modest financial and human resources. Therefore, its activities revolve around a digital medium, the website, and a presentation brochure. These two are available in both official languages of the CEB, English and French. In addition, the home page of the website has been rebuilt in 2010, with the intention of facilitating access to all the information it contains.

23. To advertise its actions further, and to a wider audience, the Bank also made, in 2008, a short film presenting its work. It can be watched from the Bank website, not only in English and French, but also in German, Spanish, Italian and Portuguese, as well as in several languages of the target group countries (Polish, Romanian, Turkish and very soon Hungarian). Finally, the Bank envisages for 2011, as recommended by the Assembly, to provide the presentation brochure, and some of the thematic booklets, in several languages of target group countries.

24. Point 11.3.7: The CEB continues its long standing effort to increase the number of nationalities within its teams. During the first nine months of 2010, the CEB recruited 11 staff members from seven different member states. At the end of the third quarter of 2010, 26 nationalities, representing 95% of the Bank's capital, were represented amongst the staff.

25. Also, the CEB pays particular attention to gender equality, particularly at the senior management level. A woman was appointed at the head of the Ex-Post Department in 2009 and another as Director for Human Resources in 2010. In addition, 75% of A grade recruitments in 2010 have been women. Finally, the number of women holding an A grade position has increased by 10% between the beginning of 2008 and the end of the third quarter of 2010.

26. Point 11.3.8: To ensure a good co-ordination between departments and in accordance with the principle of collegiality, the CEB has created a set of inter-department committees which deal with all the dimensions of its activities. The most important of these, the General Management Committee, which involves directors, aims at examining strategic matters involving the whole CEB.

27. In addition, the CEB has created functions to co-ordinate the different departments in strategic domains. Thus, the CEB has appointed in 2008 a Director for European Affairs, whose role is to oversee the Bank's co-operation with the European Union. The CEB also appointed, in 2010, a Co-ordinator in charge of energy efficiency to unite the efforts of the departments implicated on this issue.

28. Finally, the Committee of Ministers has taken due note of the Assembly's request to regularly inform it about the CEB's activities and work.