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The Council of Europe Development Bank: contributing to building a more inclusive society

Report¹

Committee on Social Affairs, Health and Sustainable Development

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Summary

The Council of Europe Development Bank (CEB), a partial agreement of the Council of Europe, serves its 41 member States by supporting social investment. Ties with the Organisation are at the heart of the CEB's corporate identity and distinctive social mission in the global family of international financial institutions. The report notes that - despite complexities in its economic, financial and regulatory environment, its relatively small size and some structural rigidities - the CEB has successfully managed risks while supporting high-value social projects and institutional capacity building.

The report highlights the CEB's efforts to bolster sustainable and inclusive growth, the integration of refugees and migrants, as well as its emphasis on 'green investment'. The CEB's next development plan for 2020-2022 could stress the role the CEB can play in the collective mobilisation of its stakeholders towards the achievement of the UN Sustainable Development Goals, notably by focusing on the needs of the most disadvantaged population groups in both urban and rural areas.

To this end, the report recommends to further rationalise the CEB's governance and project screening, to boost action for tackling the causes and consequences of socio-economic inequalities, and to improve the delivery of public services as regards access to education, healthcare, housing and employment.

1. Reference to committee: Reference 4311 of 30 June 2017.



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A. Draft resolution²

1. The Council of Europe Development Bank (“the CEB” or “the bank”), set up in 1956 as a partial agreement of the Council of Europe, serves its 41 member States by supporting social investment. Ties with the Council of Europe are at the heart of the CEB’s corporate identity and distinctive social mission in the global family of international financial institutions. Those ties have inspired thousands of field projects in the member States, whilst also underpinning the CEB’s evolving mandate and strategic vision.
2. Despite complexities in its economic, financial and regulatory environment, its relatively small size and certain structural rigidities, the CEB has shown a remarkable capacity to manage risks and support social investment with high added-value in its member States. Over more than six decades of work, the bank has accumulated unique know-how and comprehensive experience in handling projects across countries with very different levels of development, institutional capacity and social needs. The Parliamentary Assembly encourages the CEB to keep scaling up its investment in countries which require more technical assistance and support for institutional capacity building.
3. The Assembly fully supports the CEB’s continued efforts to bolster sustainable and inclusive growth, the integration of refugees, displaced persons and migrants, as well as its emphasis on ‘green investment’ in the light of the 2030 Agenda for Sustainable Development and the Paris Agreement on Climate Change. The Assembly believes that the ongoing discussions on the CEB’s next development plan for 2020-2022 represent the opportunity to highlight more explicitly the role the CEB can play in the collective mobilisation of its stakeholders towards the achievement of the United Nations Sustainable Development Goals.
4. Moreover, considering the growing emphasis on social rights within the Council of Europe, the Secretary General’s report to the Committee of Ministers (Helsinki, 16-17 May 2019) and the stated goal of building a more inclusive society, the Assembly believes that national policy makers together with the CEB should focus on the needs of the most disadvantaged population groups in both urban and rural areas. The Assembly appreciates that the bank’s thematic studies on the challenge of socio-economic inequalities in Europe could guide policy decisions and help structure future projects in this domain, with due attention to addressing the causes and effects of growing inequalities that lead to poverty.
5. The Assembly regrets that certain member States of the Council of Europe (Andorra, Armenia, Austria, Azerbaijan, Monaco, the Russian Federation, Ukraine and the United Kingdom) have not yet joined the CEB and encourages these eight States to reconsider their position in the interest of their populations.
6. The Assembly commends the CEB’s increased use of innovative financial instruments, direct financing to local authorities in its member States and public-private partnerships for social and sustainable development projects. Regarding the former, the Assembly notes that, in 2017, the CEB launched its first Cross-Sectoral Loan (CSL) aimed at giving local authorities greater flexibility to fund social infrastructure across overlapping sectors; and issued its first Social Inclusion Bond, thus boosting its own capacity to fund priority projects in the field of social housing, education and vocational training, as well as job creation. As a result, local and regional authorities were direct beneficiaries of CEB funding for about 33% of loans approved in 2018.
7. The Assembly welcomes the CEB’s prudent management of capital resources and reserves. It notes that a regular allocation of annual profits to the reserves enables the bank to gradually increase its capacity to co-finance more projects with high social value. This capacity could increase even more significantly if the bank’s stakeholders would consider keeping the door open to a new increase in the CEB’s capital, replenishing more substantively the existing trust accounts and mobilising additional support from donors and partner institutions.
8. The Assembly appreciates the gradual reform progress with regard to the governance of the CEB in order to continue improving its efficiency as expressed in Resolution 434 (2018) of the bank’s Governing Board, in particular concerning the review of the competencies, functions and number of Vice-Governors in due course. The Assembly encourages the Governing Board to persevere in that direction, notably in relation to the most consensual reform proposals.
9. The Assembly pays tribute to the devoted, professional and efficient staff of the CEB who are committed to the bank’s mission and essential to the pursuit of its ambitions for the future in the smoothest way. This internal force based on ‘talent pools’ with a sound gender balance, work experience and national

2. Draft resolution adopted unanimously by the committee on 25 June 2019.

diversity should be cultivated further by providing staff, both current and freshly-recruited, with adequate personal development opportunities through training and mobility geared towards the mastering of new skills and competences such as in the area of artificial intelligence and foresight.

10. In view of the above considerations, the Assembly recommends that the CEB's Governing Board:

10.1. continues to rationalise the bank's governance so as to optimise its internal structures and procedures towards more flexible and rapid decision-making and a lighter voting system so as to update them in accordance with modern management practice of peer organisations;

10.2. uses the ongoing discussions on the CEB's next development plan for 2020-2022:

10.2.1. to align the bank's activities more closely with the 2030 Agenda for Sustainable Development and its 17 Sustainable Development Goals to enable institutional capacity building in member States;

10.2.2. to strengthen the bank's strategy towards assisting its member States

10.2.2.1. to tackle more effectively the causes and consequences of socio-economic inequalities;

10.2.2.2. to achieve greater territorial cohesion in the delivery of public services in both urban and rural areas, notably as regards access to education, healthcare, housing and employment;

10.2.3. to support the bank's commitment to facilitating long-term integration of migrants and refugees, in particular through labour markets, educational and health-care facilities, as well as social housing;

10.2.4. to consider enhancing loan activities aimed at developing multidimensional youth centres that provide vocational counselling and social care, promote civic engagement, cultural diversity and equal opportunities, and can offer child-care support for families in poverty or at risk of poverty;

10.2.5. to enhance support for the bank's efforts to generate new business opportunities in a challenging low interest-rate environment, to raise funds via "thematic" bonds with specific social objectives and to develop further the internal Environmental, Social and Governance (ESG) screening/evaluation tools to help transform risks into opportunities;

10.2.6. to ensure that, when screening projects for social impact, the CEB also refers, where relevant, to the annual conclusions of the European Committee of Social Rights (ECSR) in respect of individual countries.

10.3. cultivates links with the Council of Europe to explore options for improving the visibility of the CEB, such as through common communication channels, and to attract new member States to join the bank;

10.4. exploits opportunities to use more extensively the know-how generated by various research institutions and think-tanks, in particular the Organisation for Economic Co-operation and Development (OECD).

11. The Assembly looks forward to receiving the written reply of the Governing Board of the CEB to the above recommendations.

B. Explanatory memorandum by Ms Nicole Trisse, rapporteur

1. Introduction: a European bank with a social vocation

1. The Council of Europe Development Bank (“the CEB” or “the bank”) is a discreet yet agile institution – an instrument of action for its member States. According to its statute, the bank is linked to the Council of Europe as a partial agreement and any member State can join it; 41 countries are now CEB members (and stakeholders at the same time), including two that have a different relationship with the Council of Europe.³ The Parliamentary Assembly has followed the Bank’s work more closely since the early 1990s when the CEB transformed its functioning and integrated many new members from central and eastern Europe.

2. Originally set up as a fund in 1956⁴ by eight countries, the CEB for many years focused largely on assisting the resettlement of refugees and displaced persons, as well as providing aid in emergency situations due to natural disasters. Later, vast development needs in the new member States came into focus, and the scarring social effects of the 2009 financial crisis prompted broader action to support the most vulnerable and disadvantaged populations. Moreover, the massive influx of migrants and refugees in recent years has stretched some national social systems to their limits: the CEB’s historical mission is pertinent again in the context of support for vulnerable populations.

3. In these circumstances and considering a resurgent sense of rivalry over jobs and welfare resources, the call for action by the Secretary General of the Council of Europe⁵ to build more inclusive societies across Europe resonates at the very heart of member States’ concerns. The CEB is fit for purpose to help member States – alongside other contributors – uphold shared values and human dignity for all through high-quality projects that advance social progress at the grassroots level.

4. This report of the Committee of Social Affairs, Health and Sustainable Development reviews the bank’s work over the past five years, follows up on the Assembly’s earlier recommendations and makes proposals towards further enhancing the CEB’s relevance, visibility and strength in relation to member States. My work as Committee rapporteur has been based on interviews with the bank’s and Council of Europe’s officials, selected members of the Governing Board (who are also permanent representatives of member States to the Council of Europe), as well as documentary research and deliberations in the Committee (such as on 19 March 2019 when it held an exchange of views with Dominique Lamiot, Chairman of the CEB’s Governing Board). I have also carried out a fact-finding visit to the bank’s headquarters in Paris on 20 March 2019.

2. A snapshot of the bank’s work over 2014-2018: coping with the fall out of the financial crisis, confronting new challenges

5. The 2009 financial crisis has profoundly transformed Europe’s economic landscape. Budgetary austerity measures negatively affected the capacity of various institutions and States to fund ongoing projects and social investment. Further to the tightening of the prudential requirements on capital and leverage, the CEB had to moderate its lending activity, whilst its clients – member States – also faced constraints on borrowing and socio-economic handicaps such as continued high unemployment and rising rates of poverty. Economic slowdown lowered the overall lending activity to the bank’s target countries⁶ around 2012-2013, but thereafter activity picked-up again, notably in terms of project approvals. With 194 projects currently ongoing, there have been no defaults or late repayments on the related loans. However, a continued decrease in interest rates in financial markets – more favourable to borrowers – has translated into shrinking profits and the Social Dividend Account of the CEB over 2014-2018 (see the table below).

3. Albania, Belgium, Bosnia and Herzegovina, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Georgia, Germany, Greece, Hungary, Iceland, Ireland, Italy, Latvia, Liechtenstein, Lithuania, Luxembourg, Malta, Republic of Moldova, Montenegro, Netherlands, North Macedonia, Norway, Poland, Portugal, Romania, San Marino, Serbia, Slovak Republic, Slovenia, Spain, Sweden, Switzerland and Turkey. The Holy See (an observer State of the Council of Europe) and Kosovo* (*all references to Kosovo, whether to the territory, institutions or population, in this text shall be understood in full compliance with United Nations Security Council Resolution 1244 and without prejudice to the status of Kosovo) have also joined the bank.

4. In November 1999, the “Council of Europe Social Development Fund” became the “Council of Europe Development Bank” (CEB).

5. 2018 report by the Secretary General of the Council of Europe on the “State of democracy, human rights and the rule of law: role of institutions, threats to institutions”.

6. Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Cyprus, Czech Republic, Estonia, Georgia, Hungary, Latvia, Lithuania, Malta, Republic of Moldova, Montenegro, North Macedonia, Poland, Romania, Serbia, Slovak Republic, Slovenia and Turkey.

6. It was against this background that another challenge emerged in mid-2015 – that of emergency assistance to and long-term integration of migrants and refugees. In response, the CEB set up a new grant-based financing tool – the Migrant and Refugee Fund⁷ aimed at supporting national efforts to guarantee basic human rights, mainly through priority funding of reception and transit centres for migrants and refugees. The fund's €28 million have enabled the bank to support 24 projects in 14 countries by the end of 2018; half of those projects are still ongoing and should be completed by April 2021. North Macedonia and Greece have been the main beneficiaries of this funding, receiving overall respectively €6.35 million and €5.5 million in grants. In parallel, the scope of the existing Regional Housing Programme was expanded to help resettle the displaced persons: by the end of 2018, €120 million of grants from this programme supported housing solutions for 4 300 vulnerable refugee families in Bosnia and Herzegovina, Croatia, Montenegro and Serbia.

7. Overall, the bank's financial activity over 2014-2018 is resumed in the table below:

Key figures on CEB and its activities (in million euros; data for the end of each year)

	2014	2015	2016	2017	2018	2014-2018
Loans disbursed during the year	1 746	1 843	2 037	2 302	2 773	+58.8%
Of which in target countries	924	1126	1156	1150	1233	+33.4%
Projects approved during the year	2 065	2 301	3 451	3 908	3 898	88.8%
Of which in target countries	1320	1499	1144	1448	1664	+26%
Total of loans outstanding	12 992	13 416	13 715	14 057	14 883	+14%
Subscribed capital	5 472	5 472	5 472	5 472	5 472	0
Paid-in capital	612	612	612	612	612	0
General reserve	1 895	2 030	2 150	2 255	2 353	+24.2%
Profit	134	127	104.9	112.0	97.5	-27.2%
Social Dividend Account*	70.3	60.6	63.1	59.1	52.2	-25.7%

* The Social Dividend Account is fed from the bank's profits and can be used to subsidise projects with high social impact.

8. In terms of activities, the CEB largely focused on social cohesion through support to job creation (notably in small and medium-size enterprises), social housing, better living conditions in urban and rural areas, schools and vocational training institutions. The share of projects in this field remained above 76% throughout 2014-2018. Funding of public health infrastructure and environment-friendly projects (including energy efficiency investment) was also important, averaging respectively some 8% and 9% each year. Although emergency aid to refugees, migrants and displaced persons represented a modest percentage of the total, longer-term integration efforts for this population group, together with support to other vulnerable groups, is much more important than that through the mainstream investment in social cohesion projects.

9. Concerning the number of countries actively borrowing from the CEB, this figure stood at 20 in 2014, 13 in 2015, 19 in 2016, 22 in 2017 and 32 in 2018. Big countries with important contributions to the bank's capital are also major users of its loans, such as Poland, Spain, Turkey and France; they are followed by Germany, the Czech Republic, the Slovak Republic and the Netherlands as further significant beneficiaries. Some countries are net contributors to the bank's capital without actively borrowing from it (Denmark, Estonia, Holy See, Kosovo*, Liechtenstein, Luxembourg, Norway, San Marino and Switzerland). At the same time, eight Council of Europe member States (Andorra, Armenia, Austria, Azerbaijan, Monaco, the Russian Federation, Ukraine and the United Kingdom) remain outsiders of the partial agreement on the CEB, thus neither contributing to, nor benefiting from this tool for social investment and solidarity. Unfortunately, prospects for their membership currently appear uncertain.

10. The bank co-finances social projects⁸ together with its member countries by making available its own resources and funds raised on financial markets in conditions that reflect the quality of its rating (AAA with Standard & Poor's, outlook stable; Aa1 with Moody's, outlook stable; and AA+ with Fitch Ratings, outlook stable). For instance, in 2018, the bank raised €5 billion in the international markets (up from €3 billion in 2017). The CEB can also issue loans to financial institutions and local authorities in its member States for

7. To start with, the fund was endowed with €5 million grant by the CEB which then drew additional €20 million from member countries and other donors. Additional CEB grant of €3 million (from the Social Dividend Account) was added to the fund in September 2018, bringing the total resources to €28 million.

social and sustainable development projects. In 2017, it introduced a new financial instrument – the Cross-Sectoral Loan (CSL) – seeking to give local authorities greater flexibility in the financing of social infrastructure projects across overlapping sectors. The same year, the CEB launched its first Social Inclusion Bond, thus boosting its capacity to fund priority projects in the field of social housing, education and vocational training, as well as job creation. Overall, local and regional authorities were direct beneficiaries of CEB funding for about 33% of loans approved in 2018.

11. Over the years, the CEB has concluded a number of partnerships with multilateral investors (through bilateral agreements with the European Bank for Reconstruction and Development (EBRD), the European Investment Bank (EIB), the World Bank, the Nordic Investment Bank (NIB), Kreditanstalt für Wiederaufbau (KfW), and the European Stability Mechanism, “100 Resilient Cities” (100RC) – pioneered by the Rockefeller Foundation) and international organisations (mainly the European Union and several United Nations specialised agencies such as the United Nations Development Program (UNDP), whilst co-operation agreements with the United Nations High Commissioner for Refugees (UNHCR) and UNICEF are being renewed. These joint undertakings are particularly relevant for fostering the social agenda and sustainable development goals across Europe.

12. Among the CEB’s partnerships, the relation with the European Union (EU) is particularly important. Indeed, the EU is the largest donor of funds to the CEB for supporting projects with a high social impact in countries that are most in need. In 2018 alone, the EU contributed €39.5 million out of €41 million to the CEB’s trust funds, thus enabling grants to various projects in Turkey and the Western Balkan countries that benefitted over 5000 vulnerable persons, mainly refugees and internally displaced persons, in terms of access to health care and social housing. In addition, several EU countries recently set up separate trust funds to enhance technical assistance for this type of projects (the Slovak Inclusive Growth Account, the Italian Fund for Innovative Projects, the Spanish Social Cohesion Account).⁹ Moreover, via its European Co-Financing Facility – a loan instrument – the CEB can help its member States access EU funds to tap their social investment needs.

13. Another important aspect of the CEB’s work is its relationship with the Council of Europe and support for its values. In this regard, I should stress funding for justice sector reforms, in particular efforts to improve infrastructure providing public judicial services and conditions in detention facilities. The latter activity is rather unique in Europe and assists member States in implementing the European Prison Rules. Where relevant, for assessing project proposals, the bank also liaises with the European Committee for the Prevention of Torture and Inhuman or Degrading Treatment or Punishment (CPT).

14. Moreover, in a similar vein, the CEB is participating in the rehabilitation of psychiatric care facilities in order to better protect the dignity of patients in line with relevant European and World Health Organisation standards. In relation to projects financed under the Migrant and Refugee Fund, the bank works in close co-operation with the Council of Europe and its Special Representative on Migration and Refugees. The CEB also follows the work of the Commissioner for Human Rights and regularly refers to the Commissioner’s findings, notably from country visits, for screening project proposals. Finally, I should point out that the current statute of the CEB does not provide for the possibility of direct budgetary support to the Council of Europe.

3. Selected examples of the bank’s projects

15. Among the many projects that the CEB co-financed in recent years, I have chosen three to illustrate the bank’s action. One such project is implemented together with the French authorities in the field of health care (cancer treatment and research), another one supports various public investments at regional level in Poland, and the third one covers a micro-finance programme through a local foundation in Bosnia and Herzegovina, including a guarantee from the CEB’s Social Dividend Account.

8. The CEB can finance up to 50% of proposed project costs. Its loans range from €2 million (such as for development of micro-enterprises in Bosnia and Herzegovina) to €77 million (for instance to build a new prison in Romania), or bigger amounts through a package of loans destined to support a series of projects in a member State (notably for social housing, SMEs, health infrastructure or flood protection), with reimbursement periods running usually between seven to 20 years.

9. By the end of 2018, the CEB managed 26 trust funds endowed with €169 million. A total of €49 million in grants were disbursed throughout 2018.

3.1. CYCLHAD: co-funding the development of innovative cancer treatment in France

16. The original CYCLHAD project was launched in 2013 with the CEB loan of 50 million earmarked to finance a national undertaking under the cancer treatment plan started by France in 2002. This project was extended in 2018 with an additional loan of 42 million and should be completed by the end of 2023. The CEB loans (covering altogether 48% of the total project cost) were crafted in such a way so as to support the reduction of debt levels by local public authorities (which provide guarantee for the loans) and commercial banks that were induced by the economic and financial crisis. The first CEB loan was disbursed in three tranches in 2015-2016.

17. As the project summary points out, about 355 000 new cases of cancer are diagnosed each year in France; yet only half of them can be cured with the traditional treatment methods of surgery, chemotherapy and radiotherapy. The National Cancer Institute put in place the France Hadron programme (as of 2012) in order to co-ordinate national research on hadron (or particle) therapy. This innovative radiotherapy method can destroy radio-resistant and inoperable cancerous cells by irradiating them with beams of protons or carbon ions, a major solution for the future. It will be particularly useful in the treatment of very young patients.

18. In France, the Archade centre of Caen (in Normandy) pilots upstream research on carbon ions, partly financed by the enterprise CYCLHAD and the CEB. The project has been designed to develop cost-competitive cancer treatments by financing the construction of the research centre, the purchase of hadron therapy system and the development of clinical treatment. By the end of 2018, phase-1 of the project was completed with the inauguration of the research centre and the beginning of treatment for the first patients with proton therapy. The CEB's assessment considered phase-1 to be highly satisfactory. Phase-2 of the project runs from 2018 to 2022 and is aiming to develop more affordable technological options for clinical treatment so that more French hospitals can buy and use it. Ultimately, the prototype treatment will be deployed and operated by CYCLHAD as from 2023 in phase-3 of the project.

19. In his admissibility opinion, the Secretary General of the Council of Europe noted that the project was in line with the political and social objectives of the Organisation (as stated in Article 1 of its Statute), including its aim to facilitate the economic and social progress of its members. The project is also in line with the Convention on Human Rights and Biomedicine (Oviedo Convention, Article 3 that refers to "equitable access to health care of appropriate quality") and the Committee of Ministers Recommendation CM/Rec(2012)8 on "The implementation of good governance principles in health systems", as well as the Parliamentary Assembly's resolutions, notably [Resolution 1946 \(2013\)](#) on "Equal access to health care" stating that "the right to health is a fundamental human right" and urging member States to "ensure the accessibility of health care facilities and health professionals throughout the territory by taking appropriate measures".

3.2. Podkarpackie regional projects: improving living conditions and health services in urban and rural areas

20. The Podkarpackie Regional Infrastructure Public sector Financing Facility in favour of one of the poorest provinces in Poland was approved by the CEB in 2018 as a loan of €43 million. It is based on the multi-annual financial plan of the region concerned and will support a series of sub-projects for improved transport accessibility (modernisation of road and railway infrastructure to reduce congestion and optimise safety) and connectivity with neighbouring regions/countries, investment in cultural heritage (renovation of the landmark castle and museum complex of Łancut, and historical buildings in Krosno) and municipal capacity to deliver public services (through territorial planning, digitalisation and medical centres). The CEB's loan will complement regional efforts so that cumulated capital investments would total around €310 million over the 2018-2020 period.¹⁰

21. The Podkarpackie regional projects have been supported by the CEB since 2010 after the competencies and responsibilities of Polish local self-governments had been expanded. These now face financial challenges of modernising local infrastructures and the provision of public services as diverse as education, healthcare, social care, public order, culture, public transport and environmental protection. In addition, there is a pressing need to tap the full economic potential of the region and boost social cohesion through more and better jobs for the local population. To this end, a good dose of EU structural and cohesion funds has already been injected in the area in addition to domestic contributions.

10. Overall, the CEB has so far approved eight projects in favour of Polish regions: Silesia (2003 and 2004), Mazovia (2007), Małopolskie (2008), Pomorania (2009), Podkarpackie (2010), Łódzkie (2011) and Podlaskie (2018), totalling about €360 million in loans. It has also financed various projects in Polish cities (Warsaw, Cracow, Szczecin, Gdańsk, Łódź, Katowice and Lublin) worth over €500 million all together.

22. With the CEB's financing facility, it will be easier for the Podkarpackie regional authorities to manage their own financial contribution to the targeted investments. Sub-projects are expected to improve life for the region's 2.1 million inhabitants and to have positive impact on sustainable development. The opinion of admissibility by the Secretary General of the Council of Europe considers that the project's objectives are in line with the rights set out in the Revised European Social Charter¹¹ (notably regarding protection of health) and the standards promoted through the European Charter for Local Self-Government (ETS n° 122).

23. Moreover, the project will echo this Assembly's recommendations on road safety as a public health priority ([Resolution 2129 \(2016\)](#)), the functioning of public administration and public services ([Resolution 2008 \(2014\)](#)), accessibility of health care as an essential condition for social cohesion and economic stability ([Resolution 1946 \(2013\)](#)) and the impact of the economic crisis on the strategic investments in public services at local and regional level ([Resolution 1886 \(2012\)](#)).

3.3. Microcredits for supporting the creation and preservation of viable jobs in Bosnia and Herzegovina

24. Although small in size, the programme loan of €2 million, launched in 2018 using the Social Dividend Account guarantee, will provide crucial support to micro-entrepreneurs in Bosnia and Herzegovina via the MI-BOSPO Microcredit Foundation affiliated with the Women's World Banking network. The MI-BOSPO foundation mostly works with micro and small enterprises (MSEs) which are owned by women, often lacking a stable income and access to credit. The programme loan shall contribute to women's economic empowerment and inclusion, as well as helping to improve their living conditions. However, male entrepreneurs will not be excluded as the foundation can serve them too for up to 25% of the project's volume.

25. CEB financing through this project will be limited to €5100 per loan, thus enabling at least 800 households and micro-enterprises to benefit. Importantly, the MI-BOSPO foundation will accompany these beneficiaries with not only money, but also business counselling. The formula of micro-credit programme loans has already been successfully tested in Bosnia and Herzegovina in 2014 with €2.5 million allocated via another microcredit partner institution in Bosnia and Herzegovina.¹²

26. Given that ongoing political uncertainties are slowing the foreign investment in the country, it is even more difficult to spark economic development from within. The unemployment rate was as high as 37% in March 2018, which may be hiding considerable economic activity in the informal sector. Women are disproportionately affected given that they are often confined to households (due to the lack of childcare facilities) or as unpaid family workers. The socio-economic impact of the CEB's programme loan is expected to be particularly high.

27. It is not surprising that the admissibility opinion for this project also points to the high potential for added value of the CEB's financing, notably in the light of Bosnia and Herzegovina's commitments under the European Social Charter (revised) (ETS n° 163) and the critical conclusions of the European Committee of Social Rights (ECSR) for the 2011-2014 period. Moreover, the project is in line with the objectives of the Council of Europe Gender Equality Strategy 2018-2023 and a series of this Assembly's resolutions. The latter notably concern empowering women in the economy ([Resolution 2235 \(2018\)](#)), fighting income inequality ([Resolution 2158 \(2017\)](#)), the challenge of a new European Social Model ([Resolution 2068 \(2015\)](#)) and decent work for all ([Resolution 1993 \(2014\)](#)), as well as the dangers for democracy and social rights due to austerity measures ([Resolution 1884 \(2012\)](#)).

4. Governance and strategic orientations of the CEB beyond 2019

28. The CEB's governing structure reflects both its historical set-up (notably ties with the Council of Europe) and the evolving circumstances. The **Governing Board**, composed of ambassadors (permanent representatives to the Council of Europe) of member States, is "the supreme organ of the bank": it sets the general orientations of CEB work and conditions for membership, elects the CEB's highest officials and approves the annual report, the accounts and the balance sheet. The **Administrative Council**, where mainly representatives of national ministries of finance sit, manages all the financial aspects, approves projects and the budget. The **Auditing Board** with three members inspects the bank's accounts and balance sheets after their examination by an external auditor.

11. Poland signed the revised Charter in 2005 but has not yet ratified it.

12. In the field of microfinance, the CEB has also been lending in Bulgaria, Georgia, Italy, North Macedonia and Spain.

29. The **Governor**, elected with a five-year mandate that is renewable once, is the legal representative of the CEB and manages the bank's operational services; he/she is assisted by three vice-governors on financial strategy, social development strategy and target group countries. Depending on the outcome of ongoing discussions in the Governing Board, the number of vice-governors could in future be reduced to two whilst redistributing their portfolios. We should recall that this is one of the proposals made during the CEB Strategic Review process in 2008 which was strongly supported by the Assembly.

30. The current Governor, Rolf Wenzel, has been leading the CEB since 2012, working consistently to make this institution "more relevant, transparent and effective to the benefit of all stakeholders". Under his leadership, the CEB's work has been further streamlined and rationalised based on internal restructuring, an enhanced prudential framework, a four-pronged screening of project proposals for social added value, intensified dialogue with the CEB's stakeholders and partners, strengthened evaluation functions, and close monitoring of macro-economic challenges in the CEB's environment.¹³

31. In follow-up to these Assembly's recommendations on "continued rationalisation of the CEB's governance" (contained in [Resolution 2007 \(2014\)](#)), I understand that progress is still lacking as regards streamlining the bank's decision-making structures and the simplification of the voting system in the Governing Board. The latter could give more weight to smaller and medium-sized countries, although 'perfect equality' in the sense of "one country, one vote" – as in the case of the Committee of Ministers – would probably be unrealistic. In fact, voting rights in the bank are directly correlated with countries' shares in the bank's capital. The reform of the CEB's governance should continue to keep improving efficiency as expressed in Resolution 434 (2018) of the bank's Governing Board, in particular concerning the review of the competencies, functions and number of Vice-Governors in due course.

32. The **CEB's Strategy for 2017-2019** was formulated against the background of a persisting low interest rate environment and constantly changing banking regulations for international financial institutions. This outlook proved to be far-sighted, enabling the CEB to meet IFRS¹⁴ requirements on capital adequacy by gradually increasing its reserves through incorporation of annual profits. However, in the coming years the CEB will likely hit the ceiling on the volume of financing it can offer to member States. If these want the CEB to keep expanding its lending, they will have to consider a capital increase option (the last capital increase became effective at the end of 2011). The current long-term borrowing authorisation at the CEB is € 5 billion (for 2019).

33. The lines of action as defined in the CEB's current strategy are: (1) sustainable and inclusive growth; (2) integration of refugees, displaced persons and migrants; (3) climate action by developing mitigation and adaptation measures. These lines of action carry equal importance and are closely intertwined, putting emphasis on the social and environmental underpinning of human rights understood in a broad sense. As Assembly rapporteur on the CEB, I believe that these grand lines of action remain valid also for the bank's activity in the years to come. It would, however, seem appropriate to link them up more explicitly with the United Nations Sustainable Development Goals (SDGs), based on the bank's thematic review and recent Assembly reports (Resolution 2272 (2019) on "Implementation of the Sustainable Development Goals: synergy needed on the part of all stakeholders, from parliaments to local authorities"; [Resolution 2271 \(2019\)](#) on "Strengthening co-operation with the United Nations in implementing the 2030 Agenda for Sustainable Development", and "Ending violence against children: a Council of Europe contribution to the Sustainable Development Goals" – currently in preparation).

34. In this context, and with eyes on the future, I should also refer to the report of the Secretary General of the Council of Europe for the Ministerial Session in Helsinki on 16-17 May 2019.¹⁵ It is a timely reminder that the Organisation is "founded on two major legal instruments: the European Convention on Human Rights [...] and the European Social Charter" which are its "living roots" for growth. The defence of fundamental social rights enshrined in the Charter is thus the core business for both the Council of Europe and the CEB; it is "the glue that holds our societies together" and "guarantees Europeans the opportunity of a decent and dignified life". I trust that this growing emphasis on social rights will serve as inspiration for the ongoing discussions in the CEB's Governing Board on the **next Development Plan (2020-2022)** which should be approved by the CEB's Governing Board and the Administrative Council by the end of this year.

13. See [Doc. 13513](#) of 26 May 2014 on Challenges for the Council of Europe Development Bank (Report by Mr Tuur Elzinga on behalf of the Committee on Social Affairs, Health and Sustainable Development).

14. International Financial Reporting Standards.

15. "Ready for future challenges – reinforcing the Council of Europe", published on 5 April 2019.

35. Drawing on the Secretary General's paper, I wish to stress the urgent need to better tackle the effects of increased inequalities in modern Europe which penalise vulnerable population groups in a particularly hard way. The CEB certainly shares this concern and has issued two thematic papers (on "Housing inequality in Europe" and "An introduction to inequality in Europe") that could guide policy makers. I would just add that we should also analyse the causes of these inequalities and prioritise social investment that has the greatest potential to reduce yawning inequalities and protect the more vulnerable population that is exposed to poverty or is more at-risk-of-poverty.

36. In this context, the goal of building a more inclusive society demands that policy makers cast a closer look to the needs of the most disadvantaged population in both urban and rural areas. This is a major task for the CEB and its stakeholders. The role that local authorities can play in this respect should not be underestimated. Loan activities could be enhanced to develop multidimensional youth centres that provide vocational counselling and social care, promote civic engagement, cultural diversity and equal opportunities, and can offer child-care support for families in poverty or at risk of poverty. Moreover, when screening projects for social impact, the CEB could also refer, where relevant, to the annual conclusions of the European Committee of Social Rights (ECSR) in respect of individual countries.

37. Talking about stakeholders, I wish to recall this committee's discussions on the bank's membership and the interest of non-member countries' parliamentarians in conditions for joining the CEB. It appears that the bank sets the accession modalities on the basis of the prospective member's contribution to the Partial Agreement on the CEB (which derives from the rate of contribution to the ordinary budget of the Council of Europe). Accordingly, a new member would have to subscribe for its share in the CEB's subscribed capital (composed of paid-in and callable parts). The paid-in part for each member represents 11.1% of their subscribed capital share. In addition, the new member has to pay its share in the bank's reserves (which keep growing as the annual profit is incorporated) – this share is currently significantly higher than the value of a country's share in the paid-in capital. In a nutshell, a new member must subscribe to capital, pay a fixed share (11.1%) as paid-in capital and contribute to the bank's reserves (this figure increases each year and the contribution rate is specific to each country).

38. The sums to be mobilised for joining the CEB may seem like a sizeable obstacle when seen in absolute figures. Yet they merely are a starting investment that enables a country subsequently to borrow from the bank much larger amounts and at very advantageous terms. Let us take Poland as an example: in 2018, its share of paid-in capital stood at €14.24 million and the share of reserves is about three-to-four times as much, while the total of CEB funds (loans outstanding and financing commitments) in favour of Poland (end-2018) is €2770 million. I believe this is a convincing argument and an example that speaks for itself: CEB membership has a huge multiplier effect on its shareholders' capacity to implement worthy social projects. The eight Council of Europe member States that are still outside the CEB should seriously reconsider their position.¹⁶

39. Further to my discussions with the CEB representatives, I realise how much work is done by the bank's staff, notably in making careful use of technical assistance grants to get projects off the ground. Thus, institutional capacity building progresses in the target countries, enabling them to better absorb funds and contribute their fair share to the success of projects. In this context, the Regional Housing Programme deserves a special mention: it was put on track in 2012 as a joint initiative by Bosnia and Herzegovina, Croatia, Montenegro and Serbia (the partner countries), as well as multiple donors. After the initial phases of local capacity building, the programme is now in a decisive phase with housing solutions to be delivered for over 34 000 vulnerable persons in the four partner countries by 2021¹⁷. This impressive effort and experience could be replicated in other regions of Europe not only to serve social housing needs but also to help embed sustainable development principles by the same token.

5. Conclusions and recommendations for future work

40. Despite complexities in its economic, financial and regulatory environment, its relatively small size and certain entrenched structural rigidities, the CEB has shown a remarkable capacity to manage risks and support social investment with high added-value in its member States. Over more than six decades of work, the bank has accumulated unique know-how and comprehensive experience in handling projects across countries with very different levels of development, institutional capacity and social needs. It should be encouraged to persevere with projects in countries which require more technical assistance and need support for strengthening their institutional capacity.

16. Andorra, Armenia, Austria, Azerbaijan, Monaco, the Russian Federation, Ukraine and the United Kingdom.

17. The total value of the Programme is €287 million, with the EU as the largest donor contributing over 80%.

41. The bank should continue cultivating its links with the Council of Europe and foster activities that constitute its comparative advantage based on the Organisation's values. The preparation of the next development plan beyond 2019 is an opportunity for the bank to echo the preoccupations of member States over furthering sustainable development and making progress on implementing SDGs, addressing the causes and effects of growing inequalities that lead to poverty, ensuring the long-term integration of migrants and refugees, and guaranteeing better delivery of public services in both urban and rural areas. Outreach to local and regional authorities in member States could also be enhanced to this end.

42. Finally, the CEB should work further to consolidate its partnerships with privileged European and international institutions, as well as to optimise its internal structures and governance towards more flexible decision-making and lighter voting system.

Appendix – CEB loans approved by country (2014-2018), in million euros

Target countries are marked in italics and largest amounts in bold

Country	2014, amount and %		2015, amount and %		2016, amount and %		2017, amount and %		2018, amount and %	
<i>Albania</i>	44.6	2.2	-	-	-	-	-	-	-	-
Belgium	100	4.8	206.4	9.0	-	-	285	7.3	-	-
<i>Bosnia & Herzeg.</i>	7.5	0.4	-	-	11	0.3	-	-	4.5	0.1
<i>Bulgaria</i>	35	1.7	150	6.5	200	5.8	20	0.5	-	-
<i>Croatia</i>	40	1.9	-	-	-	-	100	2.6	50	1.3
<i>Cyprus</i>	-	-	-	-	32	0.9	-	-	-	-
<i>Czech Rep.</i>	220	10.7	100	4.3	50	1.5	300	7.7	300	7.7
Finland	60	2.9	-	-	140	4.1	-	-	220	5.6
France	239.8	11.6	200	8.7	515.6	14.9	255	6.5	42	1.1
<i>Georgia</i>	-	-	-	-	16.5	0.5	-	-	5	0.1
Germany	-	-	-	-	652	18.9	200	5.1	380	9.7
Greece	-	-	2	0.1	-	-	-	-	-	-
<i>Hungary</i>	50	2.4	-	-	65.7	1.9	-	-	167	4.3
Iceland	-	-	-	-	-	-	10	0.3	-	-
Ireland	-	-	233	10.1	200	5.8	85	2.2	-	-
Italy	-	-	-	-	150	4.3	350	8.9	447	11.5
<i>Latvia</i>	-	-	50	2.2	-	-	12	0.3	15	0.4
<i>Lithuania</i>	100	4.8	-	-	-	-	35	0.9	15	0.4
Malta	-	-	-	-	-	-	29	0.7	-	-
<i>Moldova</i>	10	0.5	-	-	-	-	-	-	12	0.3
<i>Montenegro</i>	8	0.4	10	0.4	-	-	40	1.0	-	-
Netherlands	-	-	-	-	100	2.9	366.6	9.4	400	10.3
<i>Poland</i>	250	12.1	450	19.6	486	14.1	550	14.1	566.4	14.5
Portugal	15	0.7	-	-	80	2.3	80	2	145	3.7
<i>Romania</i>	50	2.4	175	7.6	-	-	50	1.3	179	4.6
<i>Serbia</i>	8	0.4	-	-	-	-	-	-	250	6.4
<i>Slovak Republic</i>	150	7.3	464.5	20.2	73	2.1	112	2.9	50	1.3
<i>Slovenia</i>	-	-	-	-	-	-	50	1.3	50	1.3
Spain	330	16.0	160	7.0	309	9.0	628	16.1	600	15.4
Sweden	-	-	-	-	160	4.6	200	5.1	-	-
<i>N. Macedonia</i>	97	4.7	-	-	10	0.3	-	-	-	-
<i>Turkey</i>	250	12.1	100	4.3	200	5.8	150	3.8	-	-
Total	2 065	100	2 301	100	3 451	100	3 908	100	3 898	100

N.B. Denmark, Estonia, the Holy See, Kosovo, Liechtenstein, Luxembourg, Norway, San Marino and Switzerland did not borrow from the CEB in the period 2014-2018.*