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The Council of Europe Development Bank: implementing the Reykjavik Declaration

Report[1]
Committee on Social Affairs, Health and Sustainable Development
Rapporteur: Ms Eka SEPASHVILI, Georgia, European Conservatives Group and Democratic Alliance

Summary

The Council of Europe Development Bank (CEB) is Europe's oldest multilateral development bank and an enlarged partial agreement of the Council of Europe. It promotes social cohesion by investing in people, jobs, socio-economic inclusion and resilient living environments. During the Reykjavik Summit of the Council of Europe (16-17 May 2023), member States asked the CEB to provide support to the reconstruction of Ukraine and focus on the social dimensions of climate change and environmental degradation.

The report appreciates the CEB's expanding membership (with Andorra joining in 2020 and Ukraine in 2023) and strongly encourages Armenia, Austria, Azerbaijan, Monaco and the United Kingdom to become members at the earliest opportunity. The report commends the CEB for its continued prudent financial management, regained top credit rating, increased visibility, tailored support to its members in the context of the Covid-19 pandemic, natural disasters and Sustainable Development Goals, the launch of social inclusion bonds and timely capital increase.

Mobilising additional resources for the bank's action and close co-operation with international partners would help the CEB to pursue the ambition set out in the Reykjavik Declaration and its Strategic Framework for 2023-2027. The report thus makes proposals in this respect to further strengthen the impact of the CEB's work.

1. Reference to committee: Bureau decision, Reference 4775 of 28 November 2023.

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A. Draft resolution[2]

1. The Council of Europe Development Bank (CEB, or "the bank" in short) is Europe's oldest multilateral development bank and an enlarged partial agreement of the Council of Europe. Ever since its creation in 1956, the CEB has promoted social cohesion by investing in people, jobs, socio-economic inclusion and resilient living environments. The bank's mission covers response to multifaceted social challenges including the integration of migrants, displaced persons and refugees, financing of affordable housing and vital infrastructure for healthcare, education, training, administration and the judicial sector, as well as rehabilitation of cultural heritage, handling of natural disasters, sustainable urban and rural development, microfinance and, more recently, support for the reconstruction of Ukraine.

2. During the Reykjavik Summit of the Council of Europe (16-17 May 2023), member States acknowledged the added value the CEB can provide to support the reconstruction of Ukraine and encouraged the bank to focus on the social dimensions of climate change and environmental degradation. These expectations, as expressed in the Reykjavik Declaration, are aligned with the orientations of the CEB's Strategic Framework for 2023-2027 which sets three overarching goals: responding to social development needs and inclusion challenges; investing in comprehensive assistance to refugees and migrants (including capacity building for the future); and providing targeted support to Ukraine (reconstruction and rehabilitation of various social sectors).

3. The Parliamentary Assembly appreciates the gradual expansion of the CEB's membership. It welcomes the joining of Andorra in 2020 and of Ukraine in 2023. The Assembly strongly encourages the following five outsider States – Armenia, Austria, Azerbaijan, Monaco and the United Kingdom – to become members at the earliest opportunity. Their membership would enhance the CEB's capacity for action in the face of the huge social challenges all across Europe and would help support Ukraine, the bank's newest member, with vast and urgent social needs in times of war.

4. The Assembly commends the CEB for its continued prudent management of capital resources and reserves, fully regained triple-A credit rating and increased visibility, leadership in the issuing of social inclusion bonds and timely capital increase. It stresses that the highest possible participation by the member States in this capital increase would be desirable. The Assembly also notes the importance of grant support (for investment and technical assistance) in addition to loans, against the background of the growing complexity of CEB-managed projects and the specific challenges linked to operations in Ukraine. It therefore encourages member States to consider further mobilising additional resources for the bank's action to match the ambition set out in the Reykjavik Declaration.

5. The Assembly notes that the CEB's work in the past five years has been considerably impacted by several disruptive developments: the Covid-19 pandemic, the war of aggression against Ukraine, large-scale natural disasters and the acceleration of the climate crisis. Social vulnerabilities were thus amplified in member States in addition to the already existing challenges. The Assembly congratulates the CEB for its flexible and tailored support to its member States in the context of the pandemic and natural disasters, such as in the case of the February 2023 earthquakes in Türkiye, the rapid assistance to Ukrainian refugees and the swift accession procedure for Ukraine to join the bank, thus enabling the start of operations in the country.

6. The Assembly views the CEB's continued support to its member States in their efforts to honour commitments under the UN 2030 Agenda for Sustainable Development as highly valuable. The stocktaking on progress so far shows that additional efforts are needed on the Sustainable Development Goals (SDGs) to reduce the risk of poverty and social exclusion which still affects about one fifth of the population in European countries. Moreover, fostering resilience and tackling climate change (SDG 13) is a complex challenge that requires greater collective action and an accelerated transition to more sustainable development models at national level. The CEB also supported the achievement of SDG 11 (sustainable cities and communities), thereby contributing also to reducing inequalities under SDG 10.

7. The CEB's close co-operation with international partners, such as the European Union, international financial institutions and the specialised agencies of the United Nations is of utmost importance for maximising the impact of projects. This co-operation enables investment co-ordination for the realisation of regional projects, facilitates access to financing for countries that are candidates or potential candidates to accession to the European Union and supports multilateral technical assistance to individual countries or sectoral action. The Assembly hails this effort and encourages the CEB to further reinforce its co-operation with partner institutions, notably the European Union and peer multilateral development banks.

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2. Draft resolution adopted unanimously by the committee on 13 September 2024.

8. Bearing in mind the CEB's mission, the Strategic Framework for 2023-2027, the United Nations 2030 Agenda for Sustainable Development and the Reykjavik Declaration, the Assembly invites the bank to persevere in:

8.1. responding flexibly to social developments and inclusion challenges in its member States by:

8.1.1. bringing the projects even closer to beneficiaries at the local level;

8.1.2. consistently applying the vulnerability lens to screen and finance projects with the highest social impact;

8.1.3. strengthening its focus on target group countries through the provision of more grants, technical assistance and capacity building to support the preparation and implementation of social projects with the highest potential impact;

8.1.4. contributing to the financing of projects that improve the provision and accessibility of quality public services;

8.1.5. promoting micro-finance and social enterprises financing, in particular for vulnerable population groups that lack access to credit and socio-economic opportunities (young entrepreneurs, farmers, women, migrants);

8.1.6. specifically addressing the needs of the most vulnerable population, including Roma communities;

8.1.7. considering, where relevant, the annual conclusions of the European Committee of Social Rights (ECSR) and country-specific recommendations of other Council of Europe bodies;

8.2. investing in assistance to migrants, their integration and social inclusion at the local and regional levels;

8.3. gradually enhancing support for the Ukrainian Government in the recovery, reconstruction and rehabilitation efforts in social sectors, with particular attention to housing, public health and the special needs of the most vulnerable population groups, notably children, the elderly, persons with disabilities and those injured during the war;

8.4. focusing on the social dimensions of climate change and environmental degradation, as highlighted in the Reykjavik Declaration, with a view to fostering a just transition towards green economy and allowing vulnerable groups to adapt as best as possible to the effects of climate change;

8.5. considering the issuance of sustainable development bonds to raise additional funds for projects that underpin transition to more sustainable development models;

8.6. continuing to engage and co-operate more closely with partner institutions such as the European Union and multilateral development banks;

8.7. actively pursuing its close links and joint objectives with the Council of Europe, both at the operational level and through strategic alignment;

8.8. ensuring that funded projects are chosen and designed so that they also contribute to the preservation and protection of the environment.

B. Draft recommendation[3]

1. The Parliamentary Assembly refers to its Resolution... (2024) “The Council of Europe Development Bank: implementing the Reykjavik Declaration” (CEB, or “the bank” in short). It recalls that by endorsing the Reykjavik Declaration, the Council of Europe member States have unanimously recognised the added value the CEB can provide to support the reconstruction of Ukraine and projects focused on the social dimensions of climate change and environmental degradation. These strategic fields of the bank’s action require substantial financing effort, close co-operation with the international partners and strong solidarity of member States.

2. The Assembly therefore asks the Committee of Ministers to:

2.1. renew the call on the five States that have not yet joined the CEB – Armenia, Austria, Azerbaijan, Monaco and the United Kingdom – to consider becoming members at the earliest opportunity;

2.2. ensure close co-ordination of the implementation of country action plans and Council of Europe co-operation activities with the relevant work of the CEB.

3. Draft recommendation adopted unanimously by the committee on 13 September 2024.

C. Explanatory memorandum by Ms Eka Sepashvili, rapporteur

1. Introduction: the social development bank for Europe

1. The Council of Europe Development Bank (CEB, or 'the bank' in short) is Europe's oldest multilateral development bank, mainly centred on promoting social cohesion. Its mission covers response to social challenges, including the integration of migrants, displaced persons and refugees, as well as natural disasters, and, more recently, support for the reconstruction of Ukraine. The bank is linked to the Council of Europe as an enlarged partial agreement but has its own legal personality and own source of funding. 43 countries are now CEB members.[4] The latter contribute to the bank's capital to enable fund-raising and project financing,[5] and benefit from its activities through projects. The Parliamentary Assembly follows the bank's work very closely through its Committee on Social Affairs, Health and Sustainable Development, as well as its Committee on Migration, Refugees and Displaced Persons where necessary.[6] This report will concentrate on the CEB's work echoing the call of the Reykjavik Declaration.

2. During the Reykjavik Summit (16-17 May 2023), member States acknowledged the added value the CEB can provide to support the reconstruction of Ukraine and encouraged the bank to focus on the social dimensions of climate change and environmental degradation. These expectations, as expressed in the Reykjavik Declaration, are aligned with the orientations of the CEB's Strategic Framework for 2023-2027 which sets three overarching goals: responding to social development needs and inclusion challenges; investing in comprehensive assistance to refugees and migrants (including capacity building for the future); and providing targeted support to Ukraine (reconstruction and rehabilitation of various social sectors) which became the bank's new member on 15 June 2023. The Reykjavik Declaration highlights the latter commitment as follows: "We will support Ukraine's reconstruction efforts, including through financing and implementing the Council of Europe's Action Plan for Ukraine 'Resilience, Recovery and Reconstruction', and commit to using all means available within the Council of Europe, including through the Council of Europe Development Bank (CEB)".

3. With regard to the Council of Europe's action on human rights and the environment, the Reykjavík Declaration asks the CEB "to focus on the social dimensions of climate change and environmental degradation, and to help member States achieve a fair and inclusive transition that leaves no one behind by funding projects in its key sectors of activity, in line with its strategic framework". Climate action is a cross-cutting theme of the CEB's Strategic Framework 2023-2027. The bank aims at aligning project screening with the Paris Agreement on climate change and related goals and applies the climate-social nexus approach to all the relevant investment with a view to achieving greater impact and effectiveness in terms of adaptation and mitigation strategies.

4. As of January 2024, the bank finances only those new lending activities and investment that are fully aligned with the goals of the Paris Agreement. The bank's Loan and Project Financing Policy explicitly excludes any financing to projects susceptible of generating important social and environmental risks and adverse impacts. The CEB's Strategic Framework 2023-2027 identifies specific socio-environmental vulnerabilities (for example consequences of global warming, inequalities within and between countries, impacts on public health, the trends of population aging, the sustainability of housing and employment-related challenges). The CEB will thus support projects for social, affordable and resilient housing; sustainable urban, rural and regional development; resilience to natural disasters; and protection of the environment. In 2023, nearly half of the bank's projects generated benefits for both climate and social development.

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4. Albania, Andorra (joined the CEB in 2020), Belgium, Bosnia and Herzegovina, Bulgaria, Croatia, Cyprus, Czechia, Denmark, Estonia, Finland, France, Georgia, Germany, Greece, Hungary, Iceland, Ireland, Italy, Latvia, Liechtenstein, Lithuania, Luxembourg, Malta, Republic of Moldova, Montenegro, Netherlands, Norway, Poland, Portugal, Romania, San Marino, Serbia, Slovak Republic, Slovenia, Spain, Sweden, Switzerland, North Macedonia, Ukraine (joined the CEB in 2023) and Türkiye. Two member countries have a different relationship with the Council of Europe: 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).

5. The CEB, however, does not receive annual financial contributions from its member States. It expands its activity by incorporating profits into its reserves.

6. The CEB also co-operates closely with the European Committee for the Prevention of Torture and Inhuman or Degrading Treatment or Punishment, works with Council of Europe on Roma and traveller issues and has liaised closely with the Organisation's Office in Kyiv, especially over the past three years.

5. Based on the exchange of views held by the Committee on Social Affairs, Health and Sustainable Development with the participation of Mr Carlo Monticelli, the Governor of the CEB, on 25 March 2024, my fact-finding meetings with the bank's representatives on 26 March and further research, this report reviews the bank's work over the past five years, follows up on the Assembly's earlier recommendations and makes proposals to further enhance the CEB's relevance, visibility and strength in relation to member States and their needs, based on the bank's strategic framework. My work as committee rapporteur is 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.

2. Overview of the CEB's activities over 2019-2023 period

6. The CEB's work in the past five years has been considerably impacted by several disruptive developments in its field of activities. These concerned the Covid-19 pandemic, the start of the war in Ukraine and the acceleration of the climate crisis. Social vulnerabilities were amplified in member States in addition to the already existing challenges. The need for the CEB to increase its capital basis for enhanced project financing capacity became evident, notably given vast social needs in Ukraine devastated by the war.

7. In December 2022, the CEB's Governing Board approved the bank's Strategic Framework for the period 2023-2027 and a historic capital increase for the bank. For the first time since the establishment of the CEB, the capital increase included a paid-in portion to be contributed by member States. This capital increase has reinforced the CEB's capacity to continue supporting all its member States, including Ukraine. The Assembly can certainly welcome this development, and I should recall that its Resolution 2302 (2019) "The Council of Europe Development Bank: contributing to building a more inclusive society" invited the bank's stakeholders to keep "the door open to a new increase in the CEB's capital".

8. Audited figures on the CEB's financial position show that in 2023 the bank approved €4.1 billion in new loans and disbursed €3.7 billion, while generating a net financial profit of €109 million. Profit levels increased by an impressive 37% compared to 2022, mainly thanks to the favourable high interest rate environment. No credit default or late payment was recorded throughout 2023 or in previous years. Importantly, the CEB regained its triple-A credit rating in 2023 based on Standard & Poor's, Moody's and Fitch evaluations.

9. This solid performance in 2023 confirms the bank's resilience to external turbulences, prudent management of available resources and ability to innovate. For example, overcoming the constraints of the early Covid-19 pandemic period, the CEB launched its first Covid-19 social inclusion bonds, established the Green Social Investment Fund and created the CEB Award for Social Inclusion in 2020. The year after, the bank joined the multilateral initiative "collective climate ambition" and defined its roadmap for supporting the realisation of the goals of the Paris Agreement. An important milestone of 2023 was the establishment of the Disaster Prevention and Recovery Fund, triggered by the need to help Türkiye manage the aftermath of the highly devastating earthquake of February 2023.

10. We should also note the CEB's close co-operation with international partners, such as the European Union, international financial institutions[7] and several United Nations specialised agencies.[8] This co-operation enables investment co-ordination for the realisation of regional projects (for example, the Regional Housing Programme in some Western Balkan countries), facilitates access to financing for countries that are candidates or potential candidates to EU accession (Neighbourhood Investment Facility, Western Balkans Investment Framework) and supports multilateral technical assistance to individual countries or sectoral action (Eastern Europe Energy Efficiency and Environmental Partnership, "E5P").

11. The below table shows an overview of the main financial indicators to illustrate the dynamics of lending over the 2019-2023 period:

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

	2019	**2020**	**2021**	**2022**	**2023**	**2019-2023**

7. These include 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 (ESM).

8. Notably through bilateral memorandums with the United Nations Development Programme (UNDP), the United Nations High Commissioner for Refugees (UNHCR) and UNICEF.

Loans disbursed during the year	**2847**	**4 455**	**4 023**	**3 526**	**3 715**	**+30%**
Of which in target countries[a]	1395	2319	1866	1771	1864	+34%
Projects approved during the year	**3 983**	**6 025**	**4 156**	**4 244**	**4 106**	**+3%**
Of which in target countries	1630	3375	1656	2172	2062	+27%
Total of loans outstanding	15 427	17426	18 916	19 887	21 530	+40%
Subscribed capital	5 472	5 477	5 477	5 477	5 579	+107
Paid-in capital	612.4	612.9	612.9	612.9	624	+11.6
General reserve	2 456	2 553	2 628	2 723	2 786	+13%
Profit	104.7	74.8	94.8	79.7	109.2	+4%
Social Dividend Account[b]	48.5	49.7	47.2	34.8	35.7	-12.8

[a] Target countries are: Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Cyprus, Czechia, Estonia, Georgia, Hungary, Kosovo, Latvia, Lithuania, Malta, Republic of Moldova, Montenegro, North Macedonia, Poland, Romania, Serbia, Slovak Republic, Slovenia and Türkiye. As of 2023, Ukraine joined this group.

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

12. In terms of projects, the activity was intense over the 2019-2023 period. The peak in value of loans disbursed and projects approved was reached in 2020 when the CEB very successfully issued social inclusion bonds and was able to share particularly favourable loan conditions with its member States. Overall, 46 projects were approved in 2019, 56 in 2020, 57 in 2021, 36 in 2022 and 48 in 2023 – in addition to dozens of projects that were completed in those years helping to build socially stronger Europe. The focus was primarily on six lines of action: support for health systems and social care; education and vocational training; social and affordable housing; urban, rural and regional development; developing micro, small and medium enterprises and microfinance.

13. The loans outstanding of over €21.5 billion include around €2.3 billion in financing various housing projects which are closely articulated with sustainable development goals, notably to improve energy efficiency and reduce leakages in water supply to residential housing. Overall, Spain, Poland, France and Türkiye are the largest borrowers from the CEB, followed by Germany, Italy and the Slovak Republic.[9]

2.1. Helping member countries handle the Covid-19 pandemic

14. The Covid-19 pandemic was an unprecedented public health emergency that shook up socio-economic foundations in many countries. It also tested the robustness of multilateral institutions in mobilising the resources to help States handle the response to this emergency. In this context, the CEB provided timely, flexible and targeted support to its member countries by prioritising pandemic-related projects – both during the Covid-19 crisis and in the recovery efforts – while other projects were slowed down temporarily. Throughout the pandemic, the CEB's project teams with wide-ranging areas of expertise have worked together in order to translate the needs of member countries into projects that could benefit from CEB financing.

15. As financial markets stayed resilient throughout the pandemic, the CEB was able to provide the continuity of service even in the toughest moments thanks to fluid communication with peers, partners and member States' authorities, as well as fast-track written procedures for project screening and approval. Two pandemic Response Social Inclusion Bonds were issued in 2020 by the CEB to support member countries with urgent special needs.

16. From early 2020 to January 2022, the CEB mobilised €3.784 billion to finance Covid-19 response measures with 28 loans to 21 countries. Given the challenges to public health systems in Europe, the bank has employed its Public Finance Facility (PFF), aimed at supporting national and local public sectors, to cover the acquisition of medical equipment and medical products, the rehabilitation of medical units to sustain services to the population and the mobilisation of expertise in emergency circumstances. In parallel, specific financing (programme loans) helped mitigate the socio-economic impact of the pandemic through targeted investment schemes in favour of small enterprises and municipal companies.

9. It is to be noted that Germany, Italy and Luxembourg also serve as intermediaries for channelling respectively €1 million, €11.8 million and €1.1 million for the benefit of target countries (as of 31 December 2023).

2.2. Supporting Ukraine

17. While the year 2023 opened a new phase of the CEB's engagement in Ukraine, the bank already provided substantive support totalling more than €1.3 billion to Ukrainian refugees and their host communities from the onset of the Russian war of aggression against Ukraine. On 16 March 2022, the CEB Governor joined the Heads of multilateral development institutions (such as the EBRD (European Bank for Reconstruction and Development), EIB (European Investment Bank), IMF (International Monetary Fund), and World Bank Group) in discussing the effects of the war in Ukraine on the global economy and the options for collective response in solidarity with Ukraine.

18. The CEB then created Ukraine Solidarity Fund (USF) providing for flexible, fast-tracked grant support to neighbouring and other countries to cover urgent needs of Ukrainian refugees, echoing the CEB's historical mandate. Other international financial institutions use a mix of loans and grants to support Ukraine. The EBRD for instance launched a "War on Ukraine – EBRD Resilience Package" and the EIB prepared an emergency solidarity package for Ukraine, each initially endowed with €2 billion; the IMF channelled emergency assistance of US$1.4 billion to Ukraine under the Rapid Financing Instrument (RFI) and the World Bank Group mobilised over US$925 million to support critical services to the population in Ukraine.

19. With Ukraine's accession to the bank, the CEB's operations turned swiftly to providing financing "for Ukraine in Ukraine". Indeed, the first loan of €100 million in co-financing with the World Bank[10], contributes to strengthening primary healthcare, supporting mobile teams that provide essential health services to remote areas, financing the reconstruction of damaged health infrastructure and helping address other urgent health needs, including mental health and primary healthcare, as well as the rehabilitation of persons severely injured during the war.

20. In addition to loans, the CEB has also deployed targeted grant support to meet the needs of the most vulnerable populations in Ukraine, drawing from its trust funds such as the Ukraine Solidarity Fund. A first direct grant of €2 million was approved in September 2023. Sourced through the CEB's Ukraine Solidarity Fund and Migrant and Refugee Fund, it finances critical home repairs for over 500 vulnerable households in war-affected areas. By the end of 2023, the CEB approved €9.6 million in grants in response to the crisis afflicting Ukraine, including support to neighbouring countries. In March 2024, the CEB's Administrative Council approved €100 million loan to Ukraine for financing compensation for destroyed residential properties with emphasis on the needs of internally displaced persons and persons from vulnerable population groups (persons with disabilities, the elderly, women, children and veterans). This project was elaborated together with the Council of Europe Office in Kiyv in line with the Ukrainian Law on damaged and destroyed assets.

21. It is estimated that about 10% of housing in Ukraine is severely damaged or destroyed. The CEB's know-how from the Regional Housing Programme in the Western Balkans is therefore particularly relevant in this context and could be used for preparing similar investment packages in Ukraine. The CEB organised a study visit for a delegation of Ukrainian authorities to learn and exchange on this experience. According to the CEB's estimates, the volume of financing operations in Ukraine is expected to increase gradually from about €230 million over the first years of membership to nearly €390 million per year by 2027. During the discussion in the Committee on Social Affairs, Health and Sustainable Development on 3 June 2024, Ukrainian members highlighted the importance of foreign financial support for Ukraine's medical infrastructure, e-schooling and children with special needs, as well as the activity of women-entrepreneurs. Project preparation could be simplified to accelerate the allocation of resources and the implementation process.

2.3. Addressing the nexus of environment and social development

22. The CEB devotes considerable attention to supporting sustainable and inclusive territorial development by co-financing the implementation of multi-sectoral investment plans in line with cities' and regions' development strategies. The CEB has therefore been expanding its support for local and regional authorities, with emphasis on social cohesion in urban areas, including resilience and environmental sustainability aspects in contexts where social inequalities, exposure to environmental degradation and climate-related risks combine and become mutually reinforcing.

23. This action is in line with the Assembly's recommendations concerning "Political strategies to prevent, prepare for and face the consequences of natural disasters" (Resolution 2493 (2023) and Recommendation 2251 (2023)) and advocacy in favour of the mainstreaming of the right to a healthy environment (Resolution 2545)). The CEB notably assists national authorities in the reconstruction of areas affected by natural and man-made disasters (nine projects were financed over the 2018-2023 period, including flood prevention,

10. The framework project is entitled "Health Enhancement and Life-saving in Ukraine (HEAL)".

seismic risk mitigation, emergency preparedness and post-earthquake recovery) and co-finances projects that improve living environment (45 projects were financed over the 2018-2023 period, ranging from waste reduction, management and treatment, energy saving and efficiency measures to clean-up of surface and underground water, cleaner transport and biodiversity protection).

24. We should also note that sustainable housing, energy transition and public health sectors will remain two central areas of the bank's engagement, recognising substantial needs all across Europe and building on the bank's longstanding experience in these areas. To that end, the CEB will continue co-ordinating closely with the national authorities, international partners and, in the case of Ukraine, the Council of Europe and its Office in Kyiv to identify synergies and leverage support where it is most needed.

2.3.1. Helping Türkiye before and after the tragic earthquake of February 2023

25. In addition to mitigating the effects of man-made environmental challenges, managing the impacts of natural disasters remains an important aspect of the bank's work. Our minds were struck last year by the unprecedently strong and devastating earthquake in southern Türkiye and northern Syria in February 2023, leading to massive deaths and destruction in a matter of seconds. In Türkiye, a member State of the CEB, over 50 000 people were killed, more than 100 000 injured and some 1.5 million persons left homeless. The population was also affected by the damage to infrastructure, schools, hospitals and other essential public services.

26. The CEB's response included a swift approval of a €250 million loan at an extraordinary meeting of the Administrative Council in April, seeking to help Türkiye's health sector cope with the disaster and build more resilient healthcare infrastructure in the medium term. This loan was part of a €500 million pledge announced by the CEB at an EU donors conference "Together for the People in Türkiye and Syria", held in Brussels on 20 March 2023. Another €250 million loan to Türkiye was approved in March 2024 to continue assisting the post-earthquake health sector recovery, particularly in the eleven south-eastern provinces affected by the February 2023 earthquakes. In total, 12 seismic resistant steel-structure emergency hospitals in the hardest hit provinces will be completed. Each hospital will deliver some 40 000 to 60 000 consultations per year and have at least one psychological support unit to help the population deal with the trauma. Three hospitals – of which one fully specialised in gynaecology and paediatrics – are already functional, serving more than half a million people in Hatay province.

27. In addition, the CEB has participated in several healthcare projects in Türkiye in recent years, such as by supervising the construction of an EU-funded 400-bed hospital in the town of Kilis near the Syrian border, which became operational in December 2022 and proved to be able to withstand the seismic shocks, thus enabling crucial emergency healthcare services to the population when the earthquake struck. Moreover, the CEB also established a new Disaster Prevention and Recovery Fund (with a starting allocation from the bank's Social Dividend Account) in order to contribute to disaster preparedness capacity in Türkiye and beyond.

28. Turkish authorities have accelerated the seismic risk mitigation and earthquake preparedness activities under the Istanbul Seismic Mitigation and Emergency Preparedness Project (ISMEP). The CEB has so far extended three loans totalling €600 million to support this major and unique programme of priority public infrastructure investments. The CEB loans so far have supported the reconstruction and/or retrofitting of 281 public buildings throughout Istanbul. Additional CEB financing of ISMEP is expected with a focus on vital healthcare infrastructure.

2.3.2. Applying a "vulnerability lens" approach to leave no one behind

29. Considering that vulnerable populations lack resilience and bear the brunt of various risks, crises and inequalities, the bank has developed a "vulnerability lens" as a major element of its Strategic Framework 2023-2027. This operational tool enables the CEB to better target its social investments by focusing its assistance on the most disadvantaged and marginalised persons. For the CEB vulnerability means "the degree to which individuals and communities face adverse economic, social or environmental outcomes, including due to shocks or long-term changes".[11] It is perceived as particularly relevant in the context of the needs in member States concerning access to quality education, healthcare, housing, water supply and sanitation.

11. Report of the Governor 2023, section "A vulnerability lens for greater resilience", p. 11.

30. Since the beginning of 2023, the vulnerability lens has served the bank's operations in the screening and evaluation of all new investment to identify gaps and shape pragmatic solutions to enhance project quality and impact on the ground. It is an essential aspect of social inclusion when it comes to covering the social dimension of climate change and ensuring a socially fair transition as the CEB was called to do via the Reykjavik Declaration. This is also useful in aligning the CEB's projects with the provisions of the European Social Charter (revised) (ETS No. 163) and conclusions of the European Committee of Social Rights (notably regarding the rights to work, housing, vocational training and protection of health, to socio-economic and legal protection of children, young people, families and older persons).

31. The CEB put its vulnerability lens approach into practice in 2023 while continuing to promote inclusive and resilient living environments. For example, investment into social and affordable housing – totalling nearly €375 million in six loans to eight countries – targets the displaced, homeless, elderly persons, students, as well as migrants and refugees while fostering the development of inclusive neighbourhoods and more resilient urban and rural communities. The latter field of investment benefited in 2023 from 13 loans to eight countries, with a total of €867 million mobilised for projects to support wastewater treatment, energy efficiency, renewable energy production and decentralised healthcare. The bank does so in collaboration with national and local public sector entities, as well as private sector institutions as necessary.

32. During the meeting of the Committee on Social Affairs, Health and Sustainable Development on 3 June 2024 in Paris, members had the opportunity to visit two social housing units (boarding houses – *pensions de famille*) that were supported by the CEB in a co-financing operation together with Adoma, a semi-public company created by the French Government in the 1950s. Since 2015, the CEB is managing two €100 million loans with Adoma for the restructuring, modernisation or construction of social housing. Committee members learned about the approach centred on social integration of vulnerable persons through housing as part of a public interest mission. Personalised social support services are thus offered to people in precarious situations (young individuals in search of employment, migrant workers, low-income individuals, single-parent families, the homeless, asylum seekers, isolated persons with urgent social and health needs often due to addictions) to empower and encourage them to be able to fully integrate into society.

33. We should also commend the CEB's support to its member States in their efforts to honour commitments under the UN 2030 Agenda for Sustainable Development. The stocktaking on progress so far shows that additional efforts are needed on the Sustainable Development Goals (SDGs) to reduce the risk of poverty and social exclusion which still affects about one fifth of the population in European countries. Moreover, fostering resilience and tackling climate change (SDG 13) is a complex challenge that requires greater collective action and accelerated transition to more sustainable development models at national level. In 2023, 35% of the projects approved by the CEB supported the achievement of SDG 13 and 44 % underpinned SDG 11 (sustainable cities and communities), largely contributing also to reducing inequalities under SDG 10.

3. Conclusions and outlook for the future

34. Despite complex geopolitical and economic context, the CEB has successfully kept expanding its operations, capital base and membership, while carefully balancing risks and opportunities. As the needs for social investment in Europe remain huge, the bank's core mission and ambition are fully in line with the realities of its member States. The Reykjavik Summit of the Council of Europe has highlighted the challenges of rebuilding Ukraine and boosting resilience to climate change and environmental degradation. This is a tall order by any measure for the CEB which will have to continue building partnerships with peer institutions, international partners such as the European Union and bilateral donors to achieve the complementarity of investment efforts and sustained scaling up of added value in priority areas of activity.

35. The CEB will need to persevere in its work of contributing to shielding the socially vulnerable population against highly unstable economic and geopolitical situation and outlook. As the war of aggression against Ukraine continues, the deployment of projects in this country will be delicate but highly pertinent. The wisdom and solidarity of all member States will be necessary to optimise the multilateral investment in line with the Reykjavik commitments to support the reconstruction efforts in Ukraine. As far as possible, the Assembly should encourage national parliaments to ensure complementarity of support efforts in favour of Ukraine at both national and European levels, with priority being given to sustaining the healthcare (including the rehabilitation of war-affected persons) and housing ("building back better") sectors, as well as ensuring continuity in the provision of public services and helping to depollute the living environment throughout the country.

36. The circle of CEB member countries is gradually expanding, with Andorra having joined in 2020 and Ukraine in 2023. However, five States – Armenia, Austria, Azerbaijan, Monaco and the United Kingdom – have still not joined. The Assembly should reiterate the encouragement for these countries to become members of the bank at the earliest opportunity. Their membership would send a strong message and also enhance the CEB's capacity to help Ukraine, the newest member, with huge and urgent social needs.

37. Finally, the CEB should further pursue its work in helping member States achieve a socially fair and inclusive transition towards greener future by funding projects that enable smoother mitigation and adaptation efforts in coping with climate change and environmental degradation and contribute to the scaling up of national and international investment efforts to that end.