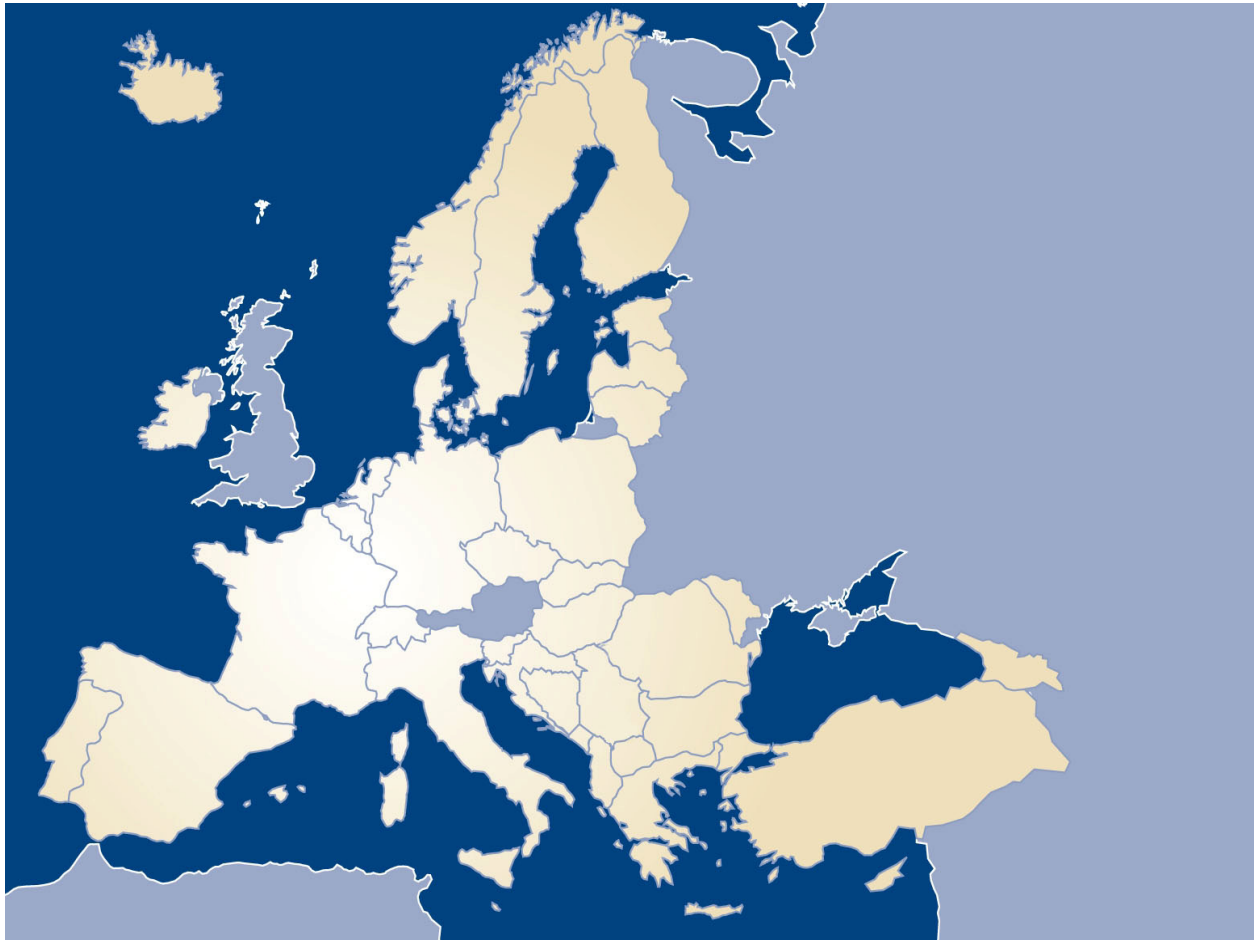




The social development Bank in Europe

2010

40 Member States



<i>Belgium</i>	<i>16 April 1956</i>	Finland	13 May 1991
<i>France</i>	<i>16 April 1956</i>	Bulgaria	28 May 1994
<i>Germany</i>	<i>16 April 1956</i>	Lithuania	8 January 1996
<i>Greece</i>	<i>16 April 1956</i>	Romania	5 March 1996
<i>Iceland</i>	<i>16 April 1956</i>	Croatia	24 June 1997
<i>Italy</i>	<i>16 April 1956</i>	"the former Yugoslav Republic of Macedonia"	15 December 1997
<i>Luxembourg</i>	<i>16 April 1956</i>	Hungary	10 March 1998
<i>Turkey</i>	<i>16 April 1956</i>	Moldova	1 st April 1998
Cyprus	18 November 1962	Estonia	3 April 1998
Malta	1 st March 1973	Poland	18 August 1998
Holy See	4 September 1973	Latvia	14 September 1998
Switzerland	1 st January 1974	Slovak Republic	22 December 1998
Liechtenstein	1 st January 1976	Czech Republic	12 February 1999
Portugal	1 st August 1976	Albania	24 June 1999
Sweden	1 st July 1977	Bosnia and Herzegovina	18 December 2003
Netherlands	1 st January 1978	Serbia	23 April 2004
Norway	1 st January 1978	Ireland	30 November 2004
Spain	1 st January 1978	Georgia	10 January 2007
Denmark	1 st April 1978	Montenegro	19 November 2007
San Marino	27 April 1989		

The CEB, the social development Bank in Europe

The CEB was founded in 1956 with an original mission and philosophy: to finance social projects, which, at the time of its creation, were principally focussed on the problems of migratory flows and natural disasters. The political upheavals on the European scene and the arrival of a new management team in 1994 led to a profound transformation of the Institution. Since then, the CEB has recorded a significant wave of accessions by the countries of Central and Eastern Europe, bringing the number of Member States from 21 to 40 by the end of 2007.

Since the change in management, the geographical and sectoral scope of action has undergone an in-depth reorganisation, thus transforming this old-established institution into a modern development bank, an indispensable complement to the other European supranational actors. The Institution's means and objectives have been carefully revised, leading to a capital increase in 1999 and to the adoption of a development plan in 2004 and another in 2009, both with the unanimous backing of the Member States.

The CEB today enjoys a unique and original position among the European institutions, characterised by a capacity for action adapted to the financing of social projects, a maximum AAA rating and a very favourable intermediation cost.

1. The CEB enjoys a unique and original position among the European institutions as a result of its specific sectoral and geographical characteristics.

- 1.1. Sectorally, the CEB is the only development bank with an exclusively social mandate. Its activity is focussed in priority on contributing to emergency projects and to projects aimed at strengthening social cohesion in Europe. It is the reference financial institution in Europe for victims of natural disasters, refugees and at-risk population groups (orphans in Romania, former deportees from Lithuania in the USSR, Roma, etc.).
- 1.2. Geographically, the Bank's scope of action extends beyond that of the European Union (today, only 25 countries are simultaneously members of both institutions). The Council of Europe constitutes a political bridge for numerous countries in Europe. Similarly, under the aegis of the Council of Europe, the CEB represents an economic and financial antechamber for several of its Member States (Turkey, Balkan countries, etc.) on the road to European integration, while for a good number of other Member States accession to the Union is not, or not yet, on the cards.

2. The CEB presents an obvious advantage for its member states, for its borrowers and for the other international institutions with which it actively collaborates.

- 2.1. For its borrowers (States, local authorities and financial institutions located in its area of operations) the advantages are clear:
 - its very low operating costs, based on resources raised at a very competitive cost, enable it to practice one of the lowest margins of all the development banks, without however being a burden on its profitability;
 - the CEB's very existence affords its borrowers the benefit of a diversified choice between several sources of financing, either multilateral or private;
 - lastly, its operating methods (easy procedures, flexibility, swiftness, short time lapse between appraisal and disbursement) are adapted to meet their expectations.

- 2.2. The CEB is clearly of interest to its Member States:
- the Bank finances operations in 33 of them;
 - it has considerable leverage: 30 billion euros worth of social investments, financed up to 40% on average, on the basis of paid-up capital totalling 370 million euros. The CEB has constituted very substantial own funds solely through its profitability without being a burden on the expense budgets of its Member States.
- 2.3. Lastly, for the other international financial institutions the Bank constitutes an attractive partner with which to co-finance quality projects. It has signed bilateral agreements with the EBRD, the World Bank, the Nordic Investment Bank and, with the EIB (Declaration signed on 2 June 2008). It participates in several multilateral agreements with, in particular, the European Community and collaborates with the UNHCR, UNICEF, UNDP and other UN agencies.

3. The CEB corresponds to the expectations and interests of its member states.

- 3.1. In financial terms, the CEB borrows some 3 billion euros per year. The CEB thus in fact increases the number of AAA European banks on the markets capable of providing low cost resources in Europe just at a time when the number of AAA issuers is dwindling. This provides investors with an opportunity to diversify their investments. Furthermore, because of its size, the CEB enjoys a rarity bonus that, for most of its operations, enables it to obtain a lower cost of resources than that of large-scale issuers.
- 3.2. Moreover, given the current break-down of voting rights within the CEB's directing councils (it is the only development bank whose main directing council is composed exclusively of Foreign Ministry representatives) the smaller Member States have a real ability to influence decisions, whereas the direct importance of the larger countries is consolidated by the absence of any single dominant shareholder that would, on its own, have a right of veto.

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The specific nature of the CEB is now established and acknowledged. It is linked to the nature of its projects (emphasis placed on the most sensitive social sectors: migratory flows, refugees, natural disasters), to the wide scope of its shareholder base, to its geographical field of action (importance of Turkey, strong development in the transition countries) and to its methods of action (capacity for swift action, light efficient structure, low operating costs).

APPENDIX 1

Key data

Development of the CEB over the past fifteen years

An annual volume of **projects multiplied by almost 7** (*increased from 0.4 to 2.7 billion euros*)

An annual volume of **loans multiplied by 9** (*increased from 0.2 to 1.8 billion euros*)

The **number of Member States up from 21 to 40**

Operations in 33 countries against 13

Own funds multiplied by 2.7

(*increased from 1.8 to 4.9 billion euros, including paid-up capital totalling 370 million euros*)

One of the most profitable international financial institutions in relation to own funds

Accumulated profits over the period **amounting to over 1 billion euros**

A loans outstanding of over **12 billion euros**, financing social investments totalling
around 30 billion euros

The CEB's Development Plan for the period 2010 - 2014

The strategic orientations adopted for the activity in the medium term reaffirm and intensify those set forth in the Development Plan for 2005-2009, which were aimed, in particular, at significantly increasing the activity in favour of a target group of countries in Central, Eastern and South Eastern Europe ¹.

The new Plan thus notably provides for:

- a 15% increase in the overall volume of loans in relation to the period 2005-2009;
- continued efforts in favour of the Bank's target group countries in order to reach 60% of the loan outstanding between now and end 2014;
- strengthened collaboration with the European Union and donor countries in order to increase the CEB's capacity for action and the added value of its operations.

1. Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Cyprus, Czech Republic, Estonia, Georgia, Hungary, Latvia, Lithuania, Malta, Moldova, Montenegro, Poland, Romania, Serbia, Slovak Republic, Slovenia, "the former Yugoslav Republic of Macedonia", Turkey

APPENDIX 2

Means and sectors of action

The Council of Europe Development Bank (CEB) is a legally and financially independent multilateral development bank with a social vocation.

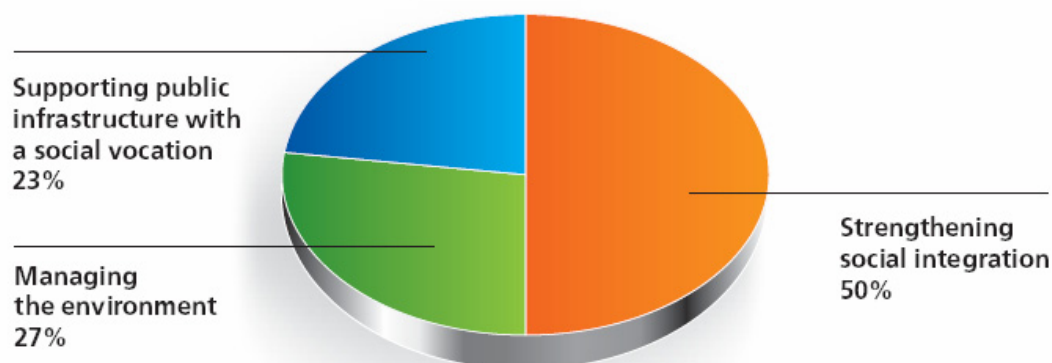
Since its inception in 1956, the Bank has helped to finance social projects and responded to emergency situations, thereby contributing to the improvement of living conditions in the least advantaged regions of Europe. It is involved in strictly banking activity: it grants loans for the financing of social projects and refinances itself by means of public issues on the capital markets to which it has access on the most favourable terms on account of its AAA rating.

The Bank's loans are granted in accordance with precisely defined criteria. **Priority** is given to projects that "help in solving the social problems with which European countries are or may be faced as a result of the presence of refugees, displaced persons or migrants consequent upon movements of refugees or other movements of populations and as a result of the presence of victims of natural or ecological disasters". In the course of half a century, the scope of the Bank's activity has gradually broadened to other fields of action: education, health, social housing, employment and vocational training in SMEs, improving living conditions in disadvantaged urban areas and rural modernisation, infrastructure for administrative and judicial public services, protection of the environment and preservation of historic and cultural heritage.

In order to foster sustainable social development, the CEB's actions are today structured into three sectoral lines of action:

- the **strengthening of social integration**. For the CEB, to contribute to strengthening social integration and thus to attack the roots of exclusion means, at operational level, acting in favour of refugees, migrants and displaced persons, promoting social housing and the creation and preservation of jobs, improving living conditions in urban and rural areas.
- **management of the environment**. To contribute to managing the environment means not only systematically responding to emergency situations in the event of natural or ecological disasters, but also undertaking sustainable action in favour of prevention, protection of the environment and preservation of historic and cultural heritage
- **supporting public infrastructure with a social vocation**. Providing support for the development of human capital in the key sectors of health, education and vocational training as well as administrative and judicial public services in the long run facilitates more dynamic and more equitable social and economic growth, thus promoting individual fulfilment and collective well-being.

Loans disbursed in 2009 – Breakdown per sectoral line of action



APPENDIX 3

Some examples of recent operations per sectoral line of action

Strengthening social integration

- a programme in Germany, aimed at financing social needs and to supporting the Government housing sector policy in the Federal State of North Rhine-Westphalia. This operation is particularly targeted to immigrant households, the disabled, the elderly and low-income families.
- support for major investment programmes set up by different national development banks in order to support employment and strengthen the productive fabric in small and medium-sized enterprises (SMEs) in Bulgaria, Croatia, Hungary and Turkey
- a project in Albania, to improve access to essential services and economic markets by providing the population with all weather roads. The whole project is expected to encompass between 1 000 and 1 500 km of roads (out of a total of approximately 12 000 km of secondary and local roads)

Managing the environment

- the "bi-communal" Mia Milia/Haspolat project in Cyprus, aimed at financing the continuation of works for expanding and upgrading of sewerage and drainage facilities in the Greater Nicosia Area, in order to improve the quality of life of the population, safeguard the economic development of one of the country's main commercial and tourism centres and protect the environment, which constitutes a major asset for both the local inhabitants and the tourism industry
- a programme approved in favour of the three Baltic States (Estonia, Latvia, Lithuania) to finance projects concerned, in particular, with waste collection and treatment, modernisation of sewerage networks and the introduction of energy saving measures in housing
- a programme approved in the Czech Republic, devoted to financing the construction, upgrading and modernisation of water distribution pipelines, water treatment and wastewater purification plants, sewerage networks and other related systems

Supporting public infrastructure with a social vocation

- a programme in France, aimed at financing projects undertaken by organisations and services of general interest (OSIG) providing assistance to the elderly (construction of medicalised homes for dependent persons), help for the disabled (installation of specially adapted equipment) and social assistance to persons in difficulty (purchase of premises for child welfare associations)
- a large-scale programme approved in Portugal, involving the modernisation of 166 teaching establishments grouping together some 190 000 pupils and 24 500 teachers. The aim of the programme is to create more attractive spaces and establish the necessary conditions for teaching, thereby contributing to learning and to the quality and safety of pupils and teachers alike
- a project in Bosnia and Herzegovina, to finance the construction of the country's first high security prison and the expenses involved in making it operational and viable. Coming within the scope of the Action Plan of the 3rd Council of Europe Summit of Heads of State and Government in 2005, this project will enable significant improvements to be made to the organisation and functioning of the country's administrative and public services by increasing its prison capacity and, for the first time in a transition country, enabling the implementation of the European Prison Rules (EPR) concerning prison construction and detention conditions. Moreover, by providing the judiciary public services with satisfactory equipment with which to carry out their mission, it will contribute to promoting reconciliation and stability in a region torn apart by war.

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