

Project financing



Highlights

In 2018, the CEB approved € 3.9 billion in loans for 20 member countries. These loans will pull together € 10.9 billion in total investments across Europe.

45 projects in 20 countries*

€ 10.9 billion total project investments

€ 3.9 billion total CEB loans approved

* The full list of CEB member countries can be found in the Notes for the reader on page 43.

Improving municipal services and building climate resilience the Netherlands

Loan: € 300 million

Borrower: Nederlandse Waterschapsbank (NWB)

Target beneficiaries: Municipalities, water authorities, housing associations, healthcare, education, environmental and public transport institutions

Estimated impact: Better living conditions for citizens across the country

This cross-sectoral CEB loan helps the Netherlands to address social and climate-related challenges by providing partial financing for public investments grouped under three 'pillars':

- social: Kindergartens and schools, social housing, healthcare compounds, cultural and sport facilities, and public transport infrastructure;
- energy efficiency: Renewable energy investments (refurbishment or retrofitting of hydropower plants and irrigation dams, solar energy, biomass and geothermal on-shore wind power), heating and/or cooling infrastructure and the retrofitting of buildings;
- water: Climate change mitigation and adaptation measures, water supply and distribution systems, resilience and emergency investments, and waste water treatment systems.

Around 50 sub-projects are expected to contribute to improving the living conditions of inhabitants across the country, through enhanced and updated public infrastructure, with a focus on low-income households and vulnerable groups, such as the elderly, people with disabilities, homeless persons, migrants and refugees.

Supporting sustainable and inclusive growth

CEB investments aim at sustainable and inclusive growth and at the equitable sharing of economic gains among all citizens. The projects financed by the Bank under this line of action focus on developing public infrastructure with a social vocation, creating and maintaining jobs, ensuring access to the labour market, providing affordable housing solutions, and assisting with the long-term integration of vulnerable groups.

Within this framework, CEB loans increasingly support integrated solutions, whereby climate mitigation and adaptation measures are intertwined with infrastructure and municipal services development plans and with specific actions targeting migrants, refugees, and displaced persons. There is therefore a certain degree of overlap between some of the loans approved under this line of action (Sustainable and Inclusive Growth) and those associated with the other two lines of action (Integration of Refugees, Displaced Persons and Migrants; and Climate Action).

In 2018, the CEB approved 40 loans in full or partial support of sustainable and inclusive growth.

Several of these loans concern first-time borrowers, including municipalities and regions facing complex, long-term social issues. The increase in new borrowers attests to the Bank's commitment to support the development of inclusive and sustainable cities and regions in Europe, with a focus on enabling economic and social inclusion, improving living conditions, and enhancing diversity.

CEB financing under this line of action enables:

- **Access to affordable financing solutions for MSMEs:** In 2018, the CEB approved € 1.1 billion for MSME financing. The funding will enable the beneficiaries to start up new or expand existing businesses by capitalising on new technologies, innovation and process optimisation, including energy efficiency improvements. As in 2017, the financing solutions supported by the CEB loans include leasing, with 6 loans approved last year in favour of leasing institutions in Europe. Moreover, the financing approved in 2018 will particularly target micro-enterprises and low-income households that would not otherwise have access to other formal credit facilities.



€3.4

billion in loans approved

€8

billion in total investments

Expanding employment opportunities

Spain

Loan: € 100 million

Borrower: Nuevo MicroBank

Target beneficiaries: Entrepreneurs, self-employed professionals, microenterprises, and individuals/families in a vulnerable situation

Spain still currently faces an unemployment rate that is well above the EU-28 average. The same applies to youth unemployment. MSMEs, which ensure about three-quarters of overall employment opportunities in Spain, are yet to fully recover from the 2008-2009 financial crisis. This loan will help Spain address its employment issues by mobilising the financial resources needed to start-up, consolidate, or expand businesses and thus generate or maintain jobs. The loan will double previous credit facilities extended to Nuevo MicroBank in 2017 and will focus, in particular, on vulnerable individuals and families with no access to a formal credit system. The loan is expected to deliver on a par with the 2017 loan, which has created and preserved more than 6600 jobs to date, while 37% of the beneficiaries are women and migrants.

- **Improvement of municipal infrastructure and services:** 12 loans were approved in 2018 in support of national, regional, and municipal development strategies. Most of these cover multi-sectoral actions focused on developing urban and regional public transport, sustainable mobility solutions, resilient waste management, water supply and wastewater collection systems, and affordable housing for low-income persons.
- **Construction of hospitals, permanent care facilities for the elderly and disabled, and the purchase of modern medical equipment and ambulances:** In 2018, the CEB approved 9 loans, worth € 0.5 billion, to support the construction and rehabilitation/expansion of existing healthcare facilities, the purchase of performant equipment, and state-of-the-art cancer treatment research.
- **Environments conducive to quality education:** The loans approved by the CEB in 2018 for the education sector amounted to € 0.5 billion and are expected to raise more than double this amount in terms of investments. The Bank's financing will enable the expansion of school and day-care facilities to meet current and future needs and support cutting-edge medical, science, and engineering research for universities in Hungary (Budapest and Pécs), and Latvia (Riga). More than 30 000 students and university staff will capitalise on these investments in the near future and thus improve the competitiveness of their economies.
- Development of **sports and cultural facilities** and expanding **community services:** 6 loans approved in 2018 entail the construction and rehabilitation of sports and cultural facilities and the expansion of community services. These investments are expected to contribute to the well-being of the local populations with a focus on the integration of vulnerable population groups, including migrants and refugees.
- Dignified **detention conditions** by enforcing European Prison Rule (EPR)-compliant infrastructure and adequate training for relevant personnel. The 2018 loan approved in this sector will add 1 900 places to the currently over-crowded Romanian detention facilities and provide EPR training for more than 1 300 prison staff.





Improving regional connectivity and living standards

Poland

Loan: € 43 million

Borrower: Region of Subcarpathia

Target beneficiaries: Citizens, businesses, and tourists in the region

Subcarpathia (Podkarpackie) is one of the least well-off provinces in Poland, with entrenched intra-regional inequalities and poor connectivity to international and national markets. This loan aims to address these inequalities and support the Region's 2020 development strategy.

It will finance the upgrade and expansion of regional road network and railway infrastructure, cultural heritage protection measures, and the development of comprehensive healthcare facilities, including a regional oncology centre. These multi-sectoral investments will trigger new opportunities for growth for the 2.1 million people living in the region and provide better living conditions for vulnerable people, such as the chronically ill. The CEB financing complements EU grant support.



Upgrading education and sports facilities

Finland

Loan: € 60 million

Borrower: City of Tampere

Target beneficiaries: Children and their parents, teachers, and the elderly

Tampere is Finland's third largest city with a growing population of almost a quarter of a million inhabitants, including an increasing number of migrants and refugees. This loan will support local authorities in implementing the 2025 municipal investment strategy, with a focus on the construction or renovation of infrastructure in the area of education, particularly schools and day-care facilities. The loan will also finance community services and sports facilities. It will capitalise on a previous agreement with Tampere for the same purpose and benefit more than 230 000 people.

“CEB investments aim at sustainable and inclusive growth and at the equitable sharing of economic gains among all citizens.”

Integration of refugees, displaced persons, and migrants

Aid to refugees, migrants and displaced persons is one of the CEB's statutory priorities. The Bank's support under this line of action includes emergency assistance, such as accommodation facilities, as well as longer-term financing for local infrastructure, decent and affordable housing, language acquisition, skills development and job creation.

The long-term actions are often part of multi-sector integrated programmes. In 2018, the CEB approved several loans that will contribute, fully or partially, to the integration of refugees, migrants, and vulnerable groups, such as Roma, Sinti, Caminanti, the homeless and long-term unemployed, victims of gender violence or people with disabilities. The funding will provide for the construction of adequate infrastructure, equal access to education and vocational training, improvement of entrepreneurship skills, and affordable financing for MSMEs. Target beneficiaries in Germany, Italy, Romania, and Spain will thus be given the chance to contribute, to their full potential, to society.

Two loans approved in 2018 materialised thanks to a partial guarantee from the CEB Social Dividend Account and the allocation of additional grant support from CEB-managed donor accounts, such as the Slovak Inclusive Growth Account. Loans under this line of action complement activities undertaken with grant funding from the EU, European Economic Area (EEA) and Norway, as well as from the CEB-managed Migrant and Refugee Fund (MRF).



€ 109

million in loans

€ 250

million in total investment

Infrastructure upgrades in support of quality and inclusive education

Germany

Loan: € 80 million

Borrower: City of Nuremberg

Target beneficiaries: Pupils and teachers in the City of Nuremberg

This CEB loan will help the City of Nuremberg to address constant increases in population, recent changes in education requirements, and the need to rehabilitate ageing education infrastructure. It will result in the construction and rehabilitation of 50 schools and early childhood facilities, including modern IT infrastructure and tools. The investments will create additional classrooms, respond to the demand for 'full-day' schools by creating cafeterias and other common areas, and provide quality and inclusive education to an increasing number of pupils and students. A significant part of the investments will benefit EU and non-EU migrant families as well as refugees and asylum seekers from Syria and Iraq.

Loan activities will be complemented by a € 600 000 MRF grant, approved by the CEB in 2018 in favour of Nuremberg's municipal employment agency Noris-Arbeit. The grant will cover the cost of training courses, including language and skills development, for migrants, refugees and long-term unemployed persons with basic education needs. The courses will be provided in informal and mobile locations so as to facilitate the participants' access and ease their integration into community life.



Microcredit facilities for vulnerable groups

Italy

Loan: € 7 million

Borrower: PerMicro S.p.A.

Target beneficiaries: 500 MSMEs
and vulnerable families

MSMEs provide about 70% of the total employment opportunities in Italy, while micro-enterprises (companies with less than 10 employees) account for almost half of the labour force in the non-financial business sector. This CEB loan supports PerMicro by extending credit facilities to businesses and families that have limited or no access to the standard banking system. These beneficiaries will thus be able to start up a new business or expand an existing one. Loans can also cover health, housing and education expenditures for vulnerable families, particularly migrants and refugees.

This loan benefits from a € 2 million guarantee from the CEB's Social Dividend Account.

The **Social Dividend Account** is funded mainly with earmarked contributions from the CEB's annual results, as decided by the Bank's member states. It is used to support projects with a high social impact, through technical assistance, loan guarantees, interest-rate subsidies, and investment grants. At end 2018, the resources available amounted to € 18.4 million.

In addition to its 2018 lending activities under this line of action, the CEB continued to assist vulnerable persons displaced during the 1990s conflicts in the former Yugoslavia in obtaining suitable housing solutions, through the multi-donor funded **Regional Housing Programme (RHP)**.

More details on the RHP and on **Migrant and Refugee Fund (MRF)** activities in 2018 are provided in the Donor section of this report.

Support to Roma education programmes

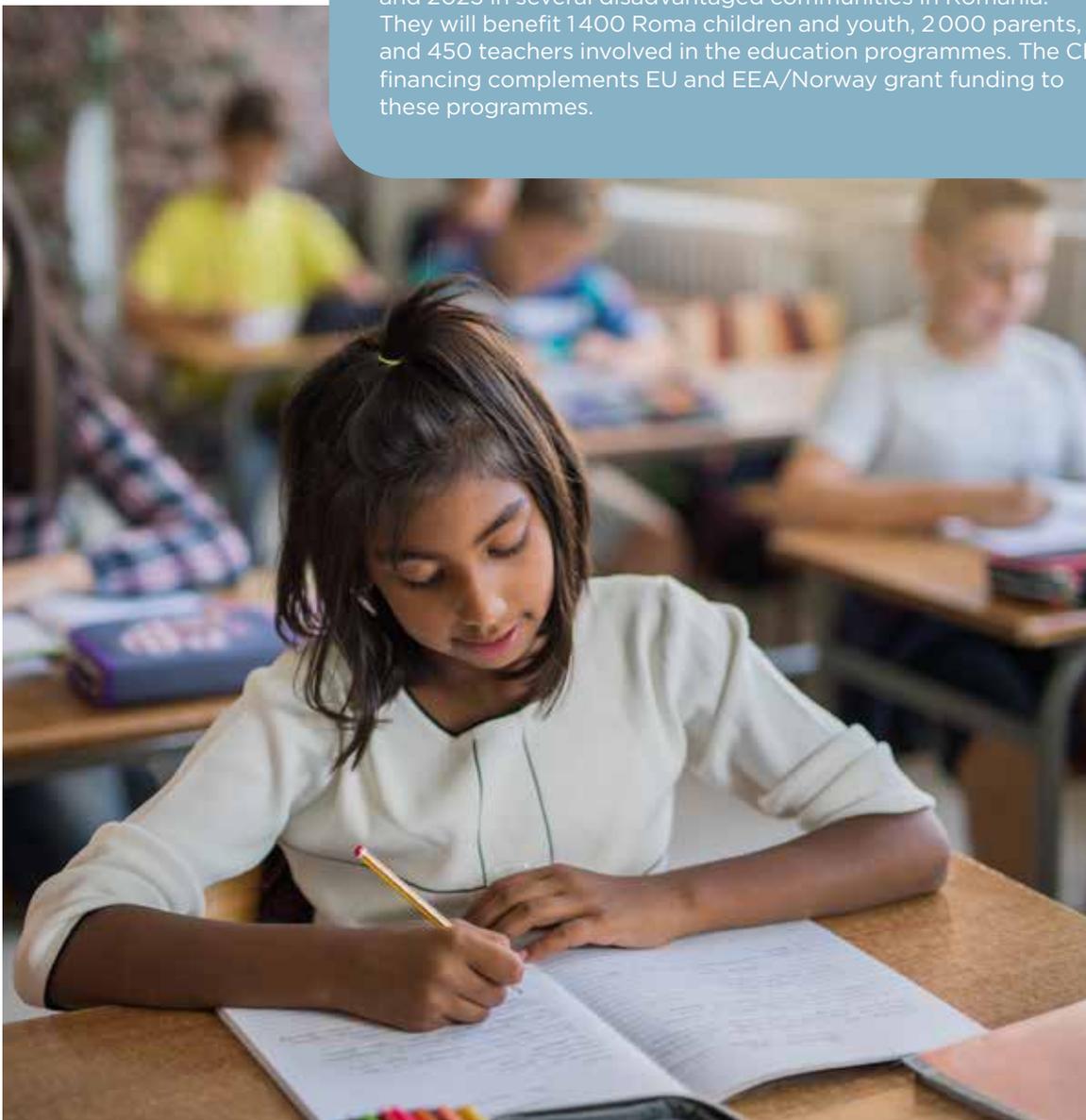
Romania

Loan: € 2 million

Borrower: Roma Education Fund

Target beneficiaries: Roma as well as non-Roma children and youth from disadvantaged communities, their parents and teachers

Approximately 1.85 million Roma live in Romania. Less than 40% of Roma children and youth are enrolled in an education programme, while early leavers represent more than 70%, which is more than three times the rate for the same age span among the mainstream population. The CEB loan, raised against a partial guarantee from the Bank's Social Dividend Account, will finance three formal and non-formal education programmes aimed at reducing and preventing early dropouts and improving access to quality learning. The programmes will be implemented between 2018 and 2023 in several disadvantaged communities in Romania. They will benefit 1400 Roma children and youth, 2000 parents, and 450 teachers involved in the education programmes. The CEB financing complements EU and EEA/Norway grant funding to these programmes.



Climate action: developing mitigation and adaptation measures

The CEB supports projects that reduce carbon emissions and make communities more resilient to climate change. It also works with its partners to mainstream climate considerations into the design and implementation of all other projects. For this purpose, and to enable the alignment of the Banks' operations with the Paris Agreement, the CEB has put in place a project screening and monitoring system that promotes the following principles:

- ensure that projects are in line with national low-emission pathways;
- identify physical climate risks and make projects more resilient to climate change;
- prioritise, target and report on climate finance;
- screen, monitor and report on climate change indicators.



€ 0.9

billion in loans

€ 2.7

billion total investment

Floating solar plants in support of irrigation systems

Portugal

Loan: € 45 million

Borrower: Empresa de Desenvolvimento e Infra-estruturas do Alqueva S.A (EDIA)

Target beneficiaries: Farmers in south-eastern Portugal

This project entails the installation of 10 floating solar plants on the water surfaces of several reservoirs around Alqueva Lake. The plants will power a corresponding number of pumping stations which feed EDIA's irrigation system in south-eastern Portugal, an area which currently faces irregular rain distribution, desertification following climate change, and population ageing. In addition to reducing EDIA's carbon footprint by using renewable energy sources, the plants will decrease EDIA's energy costs by at least € 24 million over a period of 25 years. These cost reductions and more efficient use of existing water resources will allow for more diversified, competitive and sustainable agricultural activities in the region. It will thus create job opportunities and slow down current depopulation.



Water and wastewater services with a smaller carbon footprint

Slovak Republic

Loan: € 50 million

Borrower: Bratislava Water Company

Target beneficiaries: 721000 people connected to the systems

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This CEB loan will finance the gradual replacement of 1970s water mains and the renewal of the water company's treatment facilities. These improvements will reduce water supply losses, prevent disruptions in water supply, and decrease current energy use by approximately 30%.

The loan represents the CEB's first direct sub-sovereign financing of a public water company in Europe and its first water sector programme in the Slovak Republic. It will bring the water company's service area and standards to the same levels as those of other capital city regions in Europe. The project will also enable the Slovak Republic to reach its water quality targets in accordance with the objectives of the EU Water Framework Directive. The project will benefit from grant support under the Spanish Social Cohesion Account, which will cover the cost of developing a financial model and a multi-annual investment and financing plan with social and environmental targets.

Given its specific social mandate, the CEB aims to support climate action projects that are socially inclusive. This means that the Bank seeks to optimise the social benefits when financing climate change mitigation and adaptation projects.

The CEB approved close to € 1 billion in loans in 2018 under this line of action, of which € 629 million was earmarked for climate financing. A significant part of this financing is dedicated to energy efficiency measures in the residential, industrial, and municipal infrastructure sectors, or is part of wider infrastructure investment

“Given its exclusively social mandate, the CEB aims to support climate action goals which are socially inclusive.”



programmes undertaken by regions and municipalities in order to improve infrastructure capacities and overall living conditions in urban and rural areas.

Three loans under this line of action focus on MSMEs that, by reducing their energy costs, plan to become more competitive and expand their businesses.

Energy efficiency improvements in residential properties the Netherlands

Loan: € 100 million
Borrower: Nationaal Energiebespaarfonds (National Energy Saving Fund Foundation)
Target beneficiaries: Home owners and home-owner associations

The built environment accounts for 30% of total energy consumption in the Netherlands. This CEB loan will provide low-interest loans for home owners and home-owner associations who wish to undertake energy efficiency improvements. These improvements may vary from retrofitting to the installation of heat-recovery systems and solar panels. The CEB financing will help leverage € 300 million in investments in the field and contribute to achieving the energy efficiency targets set by the Netherlands, currently an average 1.5% annual reduction in energy consumption by 2022.

Measuring and enhancing social impact

The CEB finances bankable projects that are thoroughly assessed against social, environmental, technical, and governance criteria. With on-site visits during appraisal, the CEB supports borrowers and project implementing authorities in optimising the investments in order to better achieve the expected social outcomes. This assessment typically covers project rationale (coherence with development policies and identified needs), design and engineering aspects, conformity with the relevant technical standards, sector-specific costs, and financing aspects.

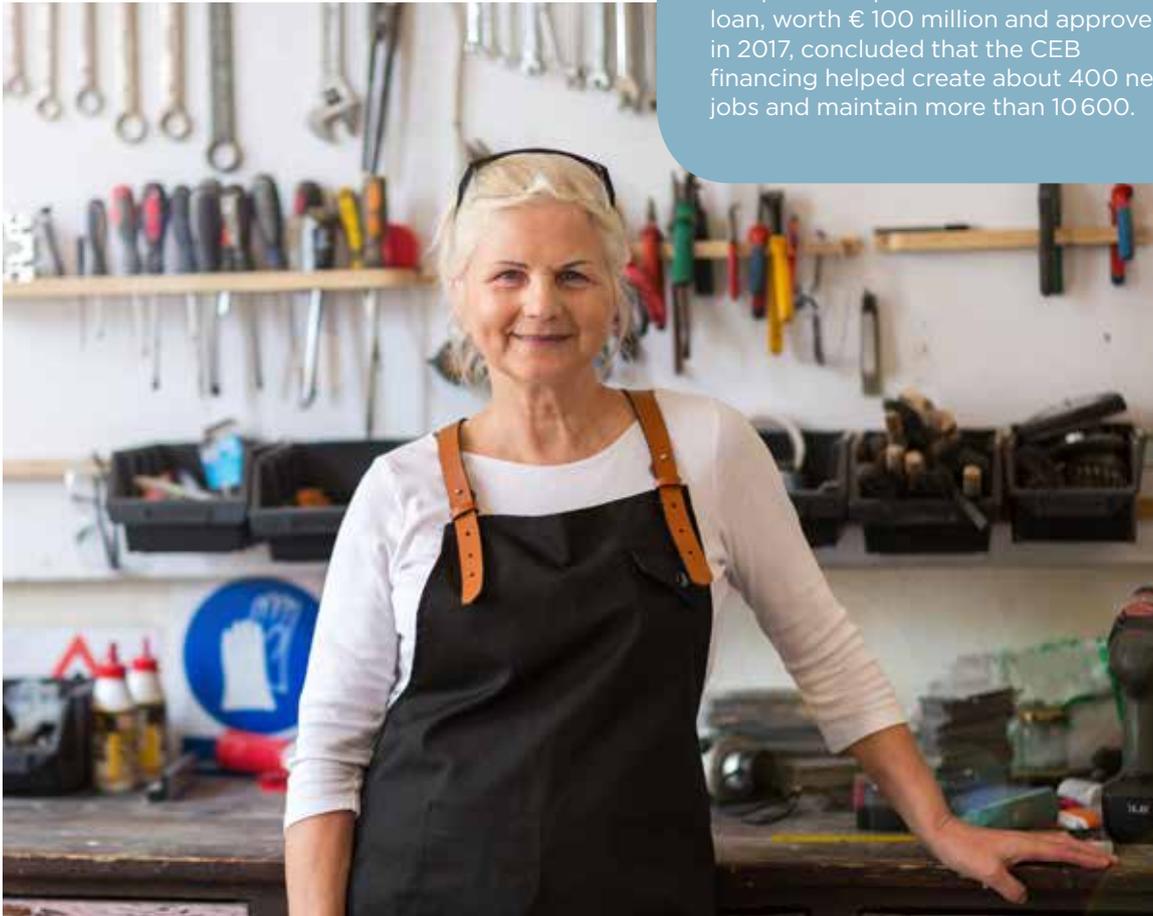
Following the approval of the CEB's Environmental Social Safeguards Policy (ESSP) in 2016, an environmental and social screening matrix is applied to each CEB project upon application for a loan. The matrix reflects a number of principles such as: protection of vulnerable groups, labour conditions, gender equality, protection

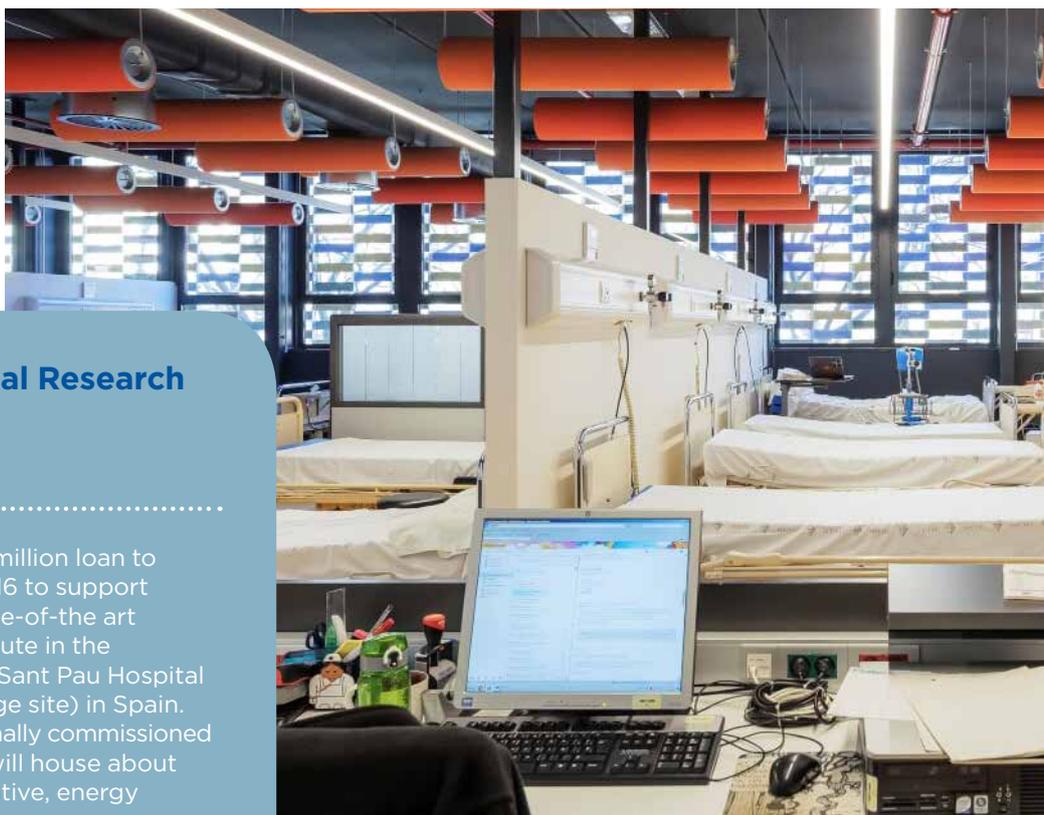
of livelihoods and housing, community health and safety, and stakeholder information. The loan application review process thus enhances the impact of the Bank's activities by identifying and managing technical, social, and environmental risks and benefits, from the early stages of the project.

Leasing for MSMEs

Poland

Leasing is often the only form of financing available for micro- and small-sized enterprises to obtain the capital required to maintain or expand their businesses. The CEB concluded three loans with PKO Leasing from Poland in support of MSMEs. The completion report on the most recent loan, worth € 100 million and approved in 2017, concluded that the CEB financing helped create about 400 new jobs and maintain more than 10 600.





Sant Pau Biomedical Research Institute

Spain

The CEB approved a € 9 million loan to CAIXABANK in March 2016 to support the development of a state-of-the-art biomedical research institute in the immediate vicinity of the Sant Pau Hospital (a UNESCO World Heritage site) in Spain. The new institute was formally commissioned on 15 November 2018. It will house about 300 researchers in innovative, energy efficient research spaces.

In addition to the standard identification of technical, environmental, and social risks, the loan application reviews undertaken in 2018 led to improvements in project design for health sector investments, and to specific recommendations for enhancing the social and environmental outcomes of projects. Examples of such improvements include: enlarging the scope of education projects to include migrant and refugee-specific activities, incorporating social purpose lending in microfinance loans, and enhancing water access and affordability for the final beneficiaries.

As part of the consistent efforts undertaken to expand its climate finance activities, the CEB increasingly assists in the initiation of climate action projects and in the identification of climate adaptation and mitigation components in its project proposals.

Once approved, projects are monitored throughout their implementation to review risks and opportunities, help identify mitigation and optimisation measures, steer their development, and measure results. While most of the monitoring is desk-based, each project is reviewed on site at least once during its life-cycle and with several visits in the case of complex projects.

During 2018, 71 individual projects in 28 countries were reviewed with on-site visits, either at the loan application stage, or during implementation. 12 of these projects had recently been completed or were nearing completion at end 2018.

In addition to advising on specific projects, the CEB identifies and promotes best practices, sector developments, and international standards for project stakeholders in order to optimise ongoing and future projects and thus maximise the social and environmental impact of the Bank's financing. These best practices are reflected in the presentations delivered by CEB experts at international events, in the evaluation reports carried out by the Evaluation Department and the publications produced by the Technical Assessment & Monitoring Directorate (technical briefs, thematic reviews, and other sector-specific publications), and are also discussed with other international financing institutions (IFIs) and pertinent organisations in the field.

In 2018, the CEB capitalised on several years of experience in education investments and set up a network with other IFIs to develop a comprehensive approach to education infrastructure that can better contribute to learning outcomes.

CEB publications are available online at:
<https://coebank.org/en/news-and-publications/ceb-publications/>



A graphic illustration of the standard CEB project cycle, along with key data on a selection of activities undertaken by the Bank in 2018, is provided in the figure below.

Additional information on how to access CEB financing is provided on the CEB website, in the Project Financing section.

